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(CANADA)

BUDGET SPEECH

DELIVERED BY

Bylas Charles
HONOURABLE D. C. ABBOTT

MINISTER OF FINANCE

MEMBER FOR ST. ANTOINE-WESTMOUNT

IN THE

HOUSE OF COMMONS

MAY 18, 1948



OTTAWA
EDMOND CLOUTIER, C.M.G., B.A., L.F.L.,
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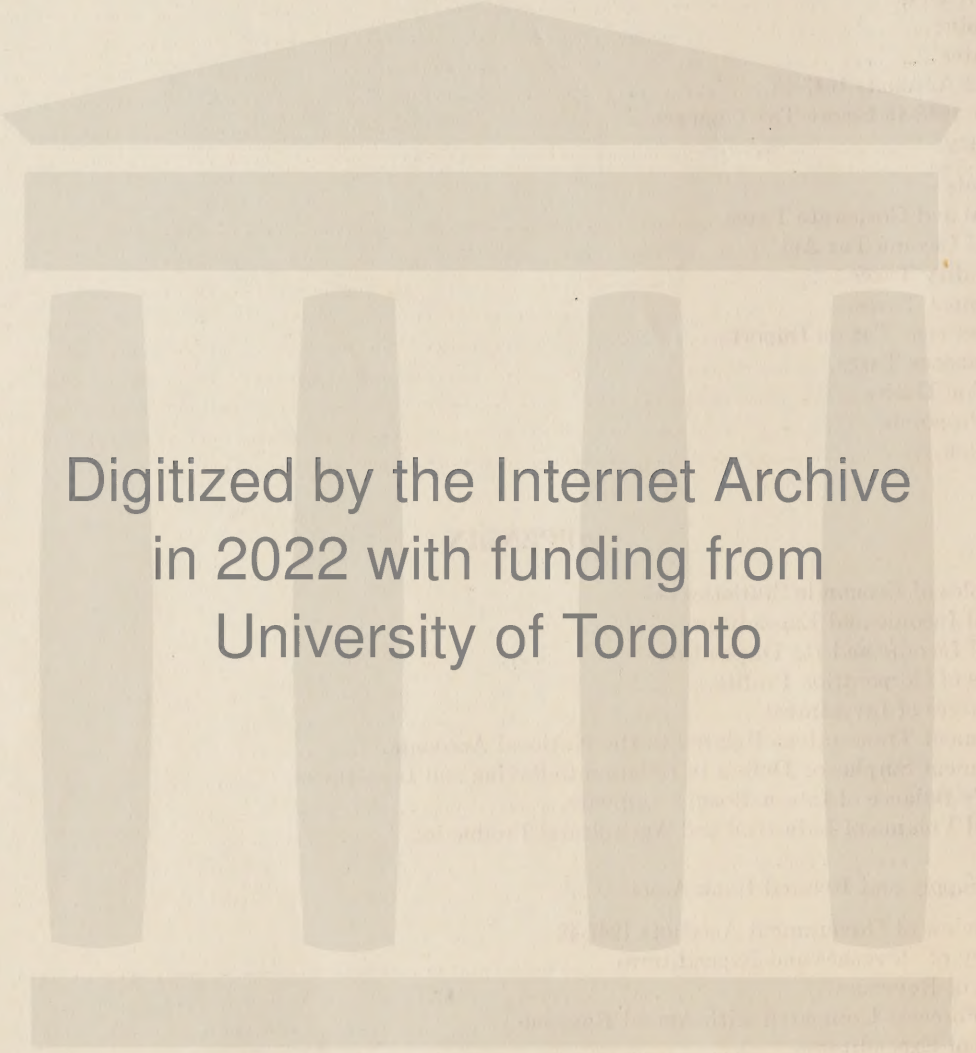
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BUDGET SPEECH

DELIVERED BY

HON. D. C. ABBOTT
MINISTER OF FINANCE

IN THE

HOUSE OF COMMONS, TUESDAY, MAY 18, 1948

THE BUDGET

ANNUAL FINANCIAL STATEMENT OF THE MINISTER OF FINANCE

Hon. DOUGLAS ABBOTT (Minister of Finance) moved:

That Mr. Speaker do now leave the chair for the house to go into committee of ways and means.

EXTERNAL DEVELOPMENTS

He said: Mr. Speaker, in the budget speech last year I was able to say that the circumstances of the time were much more favourable than in any of the immediately preceding years. This year I can again report, so far as Canada is concerned, an unprecedented rate of economic activity and a new record of progress in our government accounts. But no minister of finance can survey world events of the last twelve months without thinking more in terms of problems and difficulties than of progress and achievement. From the time of Stalingrad and El Alamein until last year the western world had seen its fortunes improve year after year, first in war and then in reconstruction. Last year brought a check to this advance and for many countries a series of troubles and misfortunes. As between nations, strife and bickering increased and once more the threat to political security became a real one. There is still cause for optimism, both in regard to the great political issues and in economic and financial affairs, but it must be an optimism tempered with a realistic appreciation of the formidable difficulties that must be overcome if we are to achieve peace and prosperity for the world and for Canada.

It has clearly been this international background that has exerted the dominant influence on our own affairs during the past year.

Of its political aspects I need not speak tonight. They have been on the tongues and in the hearts of us all in the last year and we have recently had in this house a masterly exposition of their bearing upon Canada's external relations by my colleague, the Secretary of State for External Affairs. In the economic field, adverse weather in western Europe of an extreme surpassing the records of centuries, following upon the losses and destruction of war, greatly intensified troubles of a more persistent nature. Britain tried without success to re-establish the convertibility of the pound and to forgo discrimination in her import controls. One country after another was forced to reduce consumption and restrict imports in order to conserve rapidly dwindling exchange resources. This gathering crisis in international finance and trade led not only to the recasting of reconstruction plans on less ambitious lines but also to an intensive re-examination of the economic position and prospects of Europe and ultimately to the formulation and enactment of the Marshall plan, or, as it is now called the European recovery program. The enactment of this large-scale, well-thought-out, great-hearted approach to the restoration of international economic health represents, in my opinion, a triumph not only for the individual statesmen who conceived and moulded it but also for the United States congress which rose to this occasion as it has risen to other great emergencies.

EXCHANGE DIFFICULTIES

The impact on Canada of the developing financial difficulties of countries in western Europe and elsewhere was reflected in our own exchange difficulties. We faced limitation on our sales abroad for currency which

we could use in the United States, and we had to sell too much of our production on credit. Meanwhile, because of our high level of economic activity and prosperity, our imports were going up by leaps and bounds, both in quantity and in cost. The surplus in our current transactions with other countries dwindled and threatened to disappear. Our sales on credit continued in many cases because of commitments already made. The consequences, of course, are now all too familiar to this house. Our exchange reserves were reduced to dangerously low levels. We were forced to impose distasteful restrictions on our imports of both consumer goods and capital goods. We found it prudent to arrange for a credit from the Export-Import Bank of Washington. We have tried to restrict our domestic consumption, particularly of relatively less necessary articles which have a high United States dollar content. We have taken other positive measures to increase our exports. In these and other ways we have endeavoured to re-create that surplus in our balance of payments which must be the basis for any re-establishment of our international position.

From our point of view, the operation of the European recovery program will be of real importance. It will be important, first, in its effects in strengthening those countries which have been and will in future remain essential markets for our products, and, secondly, in making it possible for us to sell our exports to these countries now for United States dollars which we can use to pay for our own imports from the United States. These are clearly great advantages, but I wish to emphasize that the program will not in itself solve our exchange problem. It should help to assure us much larger cash markets for our exports than would otherwise be available but we must make the goods available for export by increasing production, by being sparing in the use of imports and by holding our domestic consumption in reasonable check. We must re-create and make as large as possible the current account surplus to which I have referred. The magnitude of that surplus will determine two things: first, the extent to which we can replenish our exchange reserves, and, second, the extent to which we can continue to play our part in providing assistance to the European nations which must be put back on their feet.

Clearly our own exchange difficulties will severely limit our capacity to provide such assistance, but I think it would be the desire of this house and of the Canadian people to continue to play our part in this field to the extent

of our capacity. Our exchange reserves are still abnormally low. At the end of March they were \$607 million, of which \$50 million represented drawings upon the Export-Import bank loan. At the end of April they were \$668 million, including \$80 million drawings upon the loan. These totals, however, reflected not only the use of that loan but also the effect of certain transactions of a special or non-recurring character. Nevertheless, making due allowances for any abnormal factors on both the favourable and unfavourable sides, I think we have a right to be gratified with the first six months' operations of the emergency program we put into effect last fall. We have stopped the abrupt decline in our exchange reserves and have started to rebuild them; we have reduced our imports from hard currency areas and obtained an increasing proportion of our needed supplies from other sources, and we have had an encouraging increase in our exports to the dollar area as well as to the world as a whole. But our cash reserves must still be increased substantially before we can regard our exchange position as satisfactory. We can neither be too hasty in relaxing the irritating controls we have had to impose nor too optimistic in appraising our capacity to give further assistance to world recovery.

DOMESTIC CONDITIONS

Our domestic economy has continued to boom, despite the international shocks that we have received and despite the inroads we have made during the last three years into our backlog of demands accumulated during the war. The pace of economic activity has been such as to strain our resources. Shortage of labour in certain sectors of the economy has been acute, and despite the substantial expansion of our industrial capacity the shortages of certain categories of materials and/or products have been by no means eliminated. Our national production has increased but only moderately so on an over-all basis when account is taken of the effect of adverse weather on crop production last year. In any case, once full employment is reached as it was last year, any expansion in total output is bound to be limited and gradual. Our gross national production in 1947 exceeded \$13 billion, up by 13 per cent over the previous year, but most of this increase was due to the rise in prices and wage rates.

When one examines the figures of national income, production and expenditure in 1947, which are set forth in the white paper serving as an appendix to this budget—and I hope its improved form will prove more helpful to hon. members—it is notable that in 1947 expenditures by governments on goods and services

were reduced, despite the increase in prices. This reduction, which was confined to expenditures of the dominion government, arose, of course, from the virtual disappearance over the past year of our purely war and demobilization activities. The largest total increase in dollar expenditures in 1947 over previous years was by consumers, but the proportionate increase was small and when allowance is made for changes in prices, the increase in the volume of consumption was in fact on only a moderate scale.

The most striking feature of the national expenditure last year and now is the high level of capital expenditure on new construction, industrial plant and equipment, public utility projects and residential housing. It is this, together with the high level of domestic consumption and of exports, which is keeping us so fully employed and, indeed, straining our economic capacity. It is also one of the main forces behind our huge volume of imports. The very large increase in these expenditures between 1946 and 1947, both in dollars and in real terms, brought the totals up to levels far beyond anything ever before experienced or expected. A survey of intentions, recently made by the Department of Reconstruction, shows that further substantial increases in such expenditures are anticipated for 1948, but these increases are largely accounted for by higher costs. There is some evidence here and there of industrial expenditures being restricted now or deferred because of higher costs, but the backlog particularly of utility expenditures and housing demands is very large, and it seems unlikely that there will be any serious falling-off in this strategic item of national expenditure despite a wholly understandable reluctance on the part of business to pay present high costs. This government has, of course, been deliberately restricting its own expenditures on construction and equipment during the last two years, partly because of the high cost of such work under current conditions but more fundamentally because of its desire to keep excessive national expenditure within bounds and to defer wherever possible the construction of useful projects until the time when private expenditure will be lower and additional government work will help to maintain employment and income.

PRICES

To most of us, the rise in prices has been the immediate pressing fact of our economic life. There is no need to go into statistics and details here. The main index figures are set forth in the white paper. Our prices have gone up quite substantially in the past fifteen months. They are now closer to American levels than

previously, but they still lag behind in terms of the total increase over pre-war figures. In most countries prices have continued to advance substantially and the upward surge of our prices has been part of a world-wide movement exerting its influence on us through imports and exports. In Canada, moreover, the process of removing subsidies and price ceilings has now been nearly completed, leaving prices free to adjust themselves to cost and market conditions once again. For these and other reasons, Canadian prices have moved up much more closely in line with world prices for imports and exports, an adjustment that we had to face at some stage and which has been made much easier by the return of our dollar to parity with the United States dollar. These adjustments have accounted for a substantial part of the increase in our prices since the last budget. However, part of this increase is also due to the fact that the aggregate volume of expenditure in Canada is pressing upon our limited supplies of resources and manpower. As consumers, we are bidding eagerly for a limited supply of goods, throwing into the auction not only most of our current incomes but also part of our past savings and additional funds obtained by instalment credit. As producers, we are spending a record-breaking volume of funds in the construction, repair and equipment of industrial plants, commercial establishments, public utilities and housing, bidding against each other for a highly limited supply of construction labour and materials. An inevitable result of this endeavour to do too much too quickly is the persistent upward pressure on the price level. Whether undue advantage is being taken of this condition of eager demand and short supply and whether there are other factors in the situation are questions which have been under prolonged investigation by a special committee of this house.

The policy of the government has been to return to a free price system and to moderate the inevitable increases in prices at this time by whatever fiscal and other methods are possible under such a system. Neither this government nor this parliament has either the political mandate or the constitutional power to maintain indefinitely in peacetime a strait-jacket of controls over prices, production and distribution. Our whole economy has been organized to operate on a price basis by private incentives and private initiatives, not by centralized direction. I believe that the great majority of Canadians want it to work that way, want it to work by free and open competition and not by government direction on the one hand nor on the other hand by direction

of the irresponsible power of monopolies, cartels and other organized groups.

It would have been more comfortable had we been able to return to a free price system under general conditions of stability, balanced production and abundant imports. Fate did not afford us that opportunity. We cannot now retain over-all controls and subsidies in the hope that conditions will soon return to normal. We have consequently removed controls on all but a very few items where shortages are so acute that no reasonable increase in price could either correct them, on the one hand, or bring about a better distribution on the other. We have, of course, been forced, against our will, into emergency control of imports and of a few prices where import restrictions have produced temporary shortages, but this exceptional necessity does not alter or vitiate the basic policy which I have described.

ANTI-INFLATIONARY POLICY

Apart from residual measures of price control and the operation of the Combines Investigation Act, the government has actively countered inflationary pressure by its budgetary and financial policies. It has also done what a government could do to meet inflationary pressure by the most fundamental method, that is, by stimulating increased production to satisfy excessive demands.

Our budget policy has been clear and explicit. We have striven to bring expenditures down and to keep them down. War activities have been curtailed as rapidly as possible. Economy has been observed in the expenditures we have had to make. We have deferred wherever possible expenditures on construction, new equipment and new projects in general. Some we have had to undertake because of the urgency of the need or, as in the case of expanded research facilities, because of the value of the returns we expect to get in the future; but the government and the treasury have been tough in approving expenditures, particularly for new projects, for equipment and for construction. We have been more restrictive than would probably be wise in normal times, and more restrictive, I believe, than private industry has been.

On the taxation side, our policy has been to reduce our taxes where they were impeding work and production, but otherwise to keep them as high as is reasonably practicable in the circumstances, in order to produce a surplus that could be used to make the loans and investments we are required to make and to reduce the huge debt that we necessarily accumulated during the war. Some tax reduc-

tions have been made, of course, to encourage the expansion of production, and some because the burden of income tax on individuals which had to be imposed in wartime was greater than that which could reasonably be borne in peacetime, however urgent the financial or economic necessity. At the termination of our wartime tax agreements with the provinces, we were obligated to reduce our rate of corporation tax, and consideration for the revenue requirements of the provinces led us also to give up some of our wartime taxes. By and large, however, the taxation aspects of our budget policy, as well as the expenditure aspects, have been primarily directed to countering the inflationary pressures threatening Canada in recent years.

FINANCIAL RESULTS

The results of our budgetary policy are evident in the figures. Our total expenditures of all kinds were reduced from \$5,136 million in 1945-46 to \$2,634 million in 1946-47, and there was a further substantial reduction last year to a total of \$2,199 million. Our revenues, on the other hand, declined only from \$3,013 million in 1945-46 to \$3,007 million in 1946-47, and the further decline last year was very moderate, considering the substantial reductions in tax rates, because the total for the year was no less than \$2,869 million. From this it is evident that we had a surplus of revenue over expenditure in the accounting sense of \$670 million in 1947-48, following one of \$373 million in 1946-47. This surplus—considerably larger than our largest pre-war total budget and large enough to gladden the heart of any minister of finance—would not be justified as good policy were it not for the need to check inflationary forces at this time and to redeem our debt as quickly as we can under circumstances as favourable as they have been. There will never be a better time to reduce the burden of our national debt. We can do it now without hardship and thereby get ourselves in better position to bear the extra burdens we may have to assume when our national income becomes less buoyant or other untoward developments occur.

CASH POSITION

In order to judge the effects of our budget policy upon the income and expenditure of the nation, we must make a number of adjustments and take into account our loans and investments, our borrowings and repayments. First, we must correct our surplus of revenue over expenditure for those items included on both sides of the accounts that are essentially bookkeeping entries and not actual pay-

ments; for example, the amount set aside in the reserve for loss on realization of our active assets, which is shown as an expenditure but which does not represent any actual payment of cash. These adjustments change our accounting surplus of \$670 million to a cash surplus of \$727 million. Then we must add the cash we have received from sources other than revenue, mainly repayments of debts and amounts received in annuity and pension funds. Adding these items to our cash surplus brings our total up to \$1,181 million. The largest item of this nature is the repayment by the foreign exchange control board of \$220 million of advances formerly made by the government to enable it to acquire exchange reserves, and which are repaid with the Canadian dollars obtained when these reserves are liquidated. Normally we do not make public the amount of our reserves or such figures as these until much more time has passed, because this would assist and encourage speculation. However, because parliament required full and up-to-date information in order to deal intelligently with the emergency exchange measures, I made information currently available during the last few months. I have therefore brought the information up to date but I propose to revert hereafter to our normal policy.

A moment ago I spoke of the total of our cash surplus plus the amounts of cash received from loan repayments and increases in certain funds as amounting to \$1,181 million. This amount together with our cash balances on hand at the beginning of the year represented the total cash funds available to the government during the year, after taking care of the year's budgetary expenditures. A substantial portion of these funds was used to make loans and investments which gave rise to income and expenditures in Canada and which cannot, therefore, be considered as anti-inflationary. The principal items of this character were our loans to the United Kingdom and other countries for use in purchasing Canadian exports, which amounted in all to \$499 million. Less important items having the same effect were portions of the advances for the Veterans' Land Act and to crown companies, and the payments made out of the deposit account which we held for UNRRA. It is difficult to draw an exact line, but it would appear that the total of these payments likely to give rise to income or directly to expenditure on goods and services would be less than \$600 million. The remainder of this large cash fund—over a billion dollars, in fact—was used not for current expenditure nor for loans and investments but to reduce outstanding government debt in the hands of the public and the banks.

REDUCTION OF DEBT

The ways in which this was effected are worth noting. The largest part of the total, approximately \$536 million, was used to redeem government securities. This was in addition to those redemptions financed by the issue of new securities. A further small amount of funds was made available in a similar but indirect way to lend money to the Canadian National Railways to enable them to redeem their securities. Still another portion of these funds accomplished the same purpose in being paid over for purchases of our own securities before their maturity. This was done in the operation of the securities investment account, which is the account used for the investment in our own obligations of surplus funds on hand. Last year our security holdings on this account increased by \$410 million, nearly as much as our net redemption of debt. These securities may be held as temporary investments of surplus cash balances or until the securities mature or are cancelled but their purchase for purposes of this account has the same economic effect as the retirement of debt.

MONEY SUPPLY

The fiscal policy and action which I have described have been accompanied by a cessation of the wartime increase in the monetary supply and a tightening in the field of credit. The cash reserves of the chartered banks were slightly lower in 1947 than they had been in 1946—when they had reached their peak. The supply of active money—as indicated more accurately than before by the new statistical series recently compiled by the Bank of Canada—reached its peak in October, 1946, at just over \$4 billion and has remained during the past year at a level slightly below that figure. Any increase which has taken place in the total Canadian deposits of the chartered banks since October, 1946, has been in the inactive savings deposits held by the public primarily as investment of their savings. It was possible to have this stability in our active money supply because the government was able to reduce its outstanding securities held by the banking system and so largely offset the effect of the substantial increase which took place in chartered banks' loans and non-government investments. I will not endeavour here to go into the details; the important features for 1947 have been explained and emphasized by the governor of the Bank of Canada in his last annual report.

INTEREST RATES

Members of this house and others will also have noted that the government and the Bank of Canada permitted market forces to bring about some increase in the yield on government securities during the past few months. This increase in interest rates at this time is not expected to have any great effect in restraining the high level of capital expenditure that is going on under present circumstances and which is contributing towards an inflationary situation in Canada, but such effect as it may have will be in the right direction. However, I do not believe that any reasonable increase in interest rates would act as a serious brake upon business expenditures under the circumstances of today nor would it serve effectively to persuade consumers to spend less and save more of their income.

Perhaps I might amplify this statement. Looking at the supply side of the market for funds, I cannot attach great importance to the influence of interest rates on the volume of savings by the general public. It is difficult to believe that the mass of small savers are likely to reduce their living expenditures under current conditions, merely because they can obtain a higher interest rate on the money they would save. It is possible, of course, that higher rates would induce the public to increase its purchases of government bonds but this would not be anti-inflationary unless they were doing so by increasing their current savings. Otherwise it would simply represent a switch from idle savings deposits to bonds and have no national economic effect.

Analysis of the demand side of the market leads me to the conclusion that no reasonable increase in interest rates is likely to affect materially the action of the industrial borrower. In that field demand is so intense that it would take a really substantial change in interest rates to dampen his enthusiasm and make him defer his capital project. But a rise in rates sufficient to produce these results would cause so drastic a fall in the prices of bonds and such chaotic conditions that I doubt whether any responsible person would recommend it as a deliberate policy. What we need is a slowing down, not a sudden cessation, of the capital development which has been taking place at a pace which has been straining our resources.

Without any further discussion of the economic background, I propose now to note briefly the main points concerning our expenditures and revenues in the past year and then to consider what the prospects are for this new fiscal year and what policies and measures should be adopted.

GOVERNMENT ACCOUNTS 1947-48

As is now the custom, detailed information concerning our expenditures, revenues, assets, liabilities and main financial operations for the last fiscal year are included in the white paper constituting an appendix to the budget, and I would suggest that hon. members and others examine this at their leisure—if the use of that term is applicable to hon. members of this house. The figures are, of course, preliminary, as it takes some time to close the accounts for an organization as vast and varied as the government of Canada.

As I have already stated, our total expenditures amounted during the fiscal year 1947-48 to \$2,199 million and our total revenues to \$2,869 million, leaving us with a surplus now estimated at \$670 million. This is, of course, a large surplus—in absolute terms and in relation to the magnitude of our revenues and expenditures. It is larger than we anticipated last year, because our revenues turned out to be very much higher than we expected. Our revenues are sensitive to increases in prices and incomes and in expenditure on less essential or luxury goods and they increase more than in proportion to the rise in incomes and prices at times such as these. In forecasting our revenues at the time of the last budget, we had, of course, assumed a rise in prices and incomes, but we had to be reasonably conservative in doing so. Any minister of finance, should and would, I think, tend to err on the safe side. Our forecast proved to be much too conservative; prices, wages, profits and expenditures, all increased much more than we had anticipated. As a consequence, our revenues from the sales tax, the personal income tax, and the taxes on corporate profits were all substantially higher than we had counted on in the budget. The same was true of customs revenue, because both the volume and the prices of imports were much higher than we had expected a year ago. It was also true of special receipts and credits.

I have already explained the important role which this large surplus has had in helping to hold in check the inflationary forces which have threatened us in the past year. It is these very forces, and the extent to which they have prevailed, that have caused the surplus to be as large as it is. Had we not geared our tax system to produce such a surplus in these conditions, prices would have risen more rapidly than they actually did.

Expenditures have turned out to be slightly higher than I forecast a year ago, but mainly because I have come to the conclusion that this year the amount to be added to our reserve for possible losses on ultimate realiza-

tion of our active assets should be \$75 million rather than the amount of \$25 million, provided each year for the previous seven years. This will be sufficient roughly to offset the charges which have been made to this reserve during the past two years and will restore the reserve to a level which I believe will be more in keeping with the magnitude of our assets and the proportion of them which consists of loans to overseas countries.

Apart from this item, our budget forecast of total expenditure turned out to be very close to the mark. Total expenditures, excluding the \$75 million appropriation to the general reserve, amounted to \$2,124 million against a budget forecast of \$2,100 million. Expenditures in many cases were affected by the rise of prices and incomes, just as revenues were—for example, the higher general level of wages and salaries required higher levels of civil service salaries, and the cost of both materials and construction considerably exceeded the levels upon which the estimates were based. On the other hand, expenditures were held in check in certain cases by the difficulty in getting labour, materials and even contractors for construction projects.

As compared with the previous year, the chief features in our expenditures last year were the great reductions in the war and demobilization expenditures of national defence, and in expenditures on termination and liquidation of war contracts, on cost of living subsidies and on veterans' benefits. There were, on the other hand, increases in payments to the provinces and in expenditures on health and welfare, public works and transport facilities. The details are set forth clearly in the white paper and the salient points are summarized in the text of that document, so I will not take the time of the house to recapitulate them here. It might, however, be appropriate to make the comment that last year's expenditures still included fairly substantial items—particularly on subsidies, foreign relief, veterans' benefits, and housing—that are essentially temporary, post-war reconversion requirements which should largely disappear in time, though they may, of course, be replaced by other items.

In discussing the effect of last year's cash surplus upon the economic situation, I have already spoken of the main features of our disbursements by way of loans, advances and investments, and I will not endeavour to repeat any of the comments here. The details are set forth in the white paper. Our borrowing operations during the last fiscal year were not such as to call for much in the way of special comment. I have referred already to the short-term loan, arranged with the Export-

Import Bank of Washington, about which I gave details earlier this session in the debate on our emergency exchange legislation. The only securities sold to the general public during the year were Canada savings bonds which were on sale throughout the year, a new and second series being offered in October last. Gross sales during the fiscal year were \$309 million. Leadership on the part of employers was of great importance, and more employers than ever expressed the belief that it was in their interest to assist in the carrying out of a successful canvass of employees. During and since the intensive sales period, reports from many employers have testified to the value of the special features of the Canada savings bond and of the payroll savings plan in promoting satisfactory employee relations, stability in family resources and continuity of purchasing power. The net amount of Canada savings bonds outstanding rose from \$483 million at March 31, 1947, to \$655 million at March 31, 1948.

Figures of our total funded debt and its composition as of March 31 last are given in the appendix, and I need not weary you with that detail here nor, I think, with figures of our debt redemptions during the year. Our net debt, of course, declined during the year by the amount of our surplus, and this reduced the total as of March 31 to \$12,378 million. Although this represents a decline of \$1,043 million from the peak of two years ago, it is still a very high figure and a reminder of the need we face to manage our revenues and expenditures in such a way as to throw off the maximum practicable surpluses under such prosperous conditions as we enjoy today.

The average interest payable on our funded debt outstanding as of this date was 2.66 per cent, compared with 2.65 per cent a year earlier.

FORECAST FOR 1948-49 BEFORE TAX CHANGES

The total expenditures provided for in the main estimates this year are approximately \$1,985 million. Actual expenditures under individual votes normally fall at least a little short of the estimates, because of the vote itself is the outside limit rather than the best forecast of probable expenditures. This year, however, with increased prices and salaries, with the development of post-war departmental programs, and with better recruiting results in the armed services, I would not expect the margin between votes and expenditures to be as great as last year, particularly as the treasury board restricted severely the introduction of new projects or of expanded programs in screening the estimates. There will also be substantial supplementary estimates

later this year, though I do not expect quite such large supplementary estimates and further supplementary estimates this year as we had last year. The major increases to be covered by supplementary estimates that are now known are additional amounts for veterans allowances and disability pensions and for freight assistance on feed grains beyond July 31. There is a considerable variety of smaller items to be covered as well. In addition, there are some new or increased statutory expenditures, including, for example, the gold mining assistance payments and certain health grants announced last week. Allowing for the same provision as last year for our general reserve against losses on the ultimate realization of active assets, and apart from any expenditure arising from new developments in policy, I would estimate that our total expenditures in this new fiscal year will be very close to those of last year, notwithstanding the increase in prices. I am, therefore, putting down a forecast of \$2,175 million.

While it is not possible or appropriate at this stage to make any allowance for major developments in policy not yet decided upon by the government, I feel we cannot afford to overlook the possibility that developing events in the international field may sooner or later make it necessary to increase our expenditures on national defence. The main essentials of the international situation and of the defence problem are already publicly known. As yet, the situation, despite its threatening appearance, has not led the government to believe that an immediate expansion in our defence activities now is necessary. Events are marching swiftly, however, and we must be prepared to change our program on short notice. While we would not be justified in forecasting higher expenditures this year on this basis, I think we must bear these circumstances in mind later in considering our tax policy.

I turn now to the revenue side of our accounts. Assuming no change in existing tax laws, we now estimate that our revenues in this fiscal year will amount to \$2,724 million. In making this forecast, we assume some small further increases in wages and other incomes and some prices, a small increase in our national production, normal crops, and no serious industrial disputes or other set-backs to production and income. These are, I would say, conservatively optimistic forecasts. Prices, wages and profits may increase much more if inflationary forces prevail. Good crops would increase our real production and our revenues above what I have assumed and forecast. On the other hand, serious difficulties in our export markets, poor crops, prolonged stoppages of produc-

tion or an abrupt decline in capital expenditures of Canadian business might reduce incomes and our tax base and make our estimates appear too optimistic. We have made these forecasts carefully, fully conscious that our last year's estimates proved unduly conservative. We believe them to be fair and honest figures, given the assumptions I have made.

With the consent of the house, I shall place on *Hansard* at this point a summary table showing the forecast for this fiscal year of revenues from each main source, compared with the actual receipts last year.

Forecast of Revenues

	Forecast Fiscal year 1948-49	Actual Fiscal year 1947-48 (Pre- liminary)
	(Millions of Dollars)	
Customs duties	250	293
Excise duties	200	197
Sales tax (net)	395	372
Other excise taxes	270	268
Income tax		
Personal	675	660
Corporate	520	364
Excess profits tax	60	227
Interest and dividends, etc.	38	36
Succession duties	32	31
Miscellaneous	4	4
Total tax revenue	2,444	2,452
Non-tax revenue	190	178
Total ordinary revenue ...	2,634	2,630
Special receipts and credits	90	239
Grand total revenue	2,724	2,869

It will be noted from this table that we anticipate in general relatively little change in the aggregate receipts from taxes, \$2,444 million against \$2,452 million, but substantial changes in the receipts from individual sources of revenue. Excise duties are expected to remain stable at about \$200 million. Customs duties last year reflected the abnormal level of imports particularly in the months just prior to the imposition of our import restrictions. As a result of these restrictions and of lowering of tariffs under the Geneva agreements, customs duties this year are being estimated at \$250 million against \$293 million last year. Taking into account the partially offsetting effects of higher prices, the loss of certain excise taxes and new or increased taxes, we estimate that the total yield of excise taxes, including the sales tax will exceed that of last year by \$25 million. In the case of personal income taxes we estimate a moderate increase, the effect of increasing incomes not being fully offset by the fact that the reductions in rates

made in last year's budget will be effective for the full year. We are also estimating that there will only be a modest decrease in the combined yield of corporation and excess profits taxes; the excess profits tax ceased to apply to profits earned after January 1, 1948, but the consequent decline in this tax should be largely offset by the rising yield of the ordinary corporation tax due to increased earnings.

In regard to non-tax revenue, I anticipate a moderate increase due to the increasing return on investments and some increase in Post Office receipts. However, special receipts and credits, which include receipts from sales of war assets, refunds of previous years' expenditure, and various items previously of a bookkeeping nature, are expected to decline from \$239 million last year to approximately \$90 million during the current year.

With anticipated expenditures of \$2,175 million and revenues of \$2,724 million, it would appear likely that in the absence of any tax changes, we would have a budgetary surplus of \$549 million in the current fiscal year. However before coming to the tax changes which I shall recommend, I wish to refer to certain additional transactions in our government accounts which are extremely important from the economic standpoint and important also in appraising the significance of this prospective surplus.

The surplus is in terms of expenditures in the accounting sense and does not include our loans, advances and investments which, in fact, require disbursement in cash as much as do expenditures, have in many cases similar economic effects and differ only in giving rise to an asset or claim which we show on our books. I have already noted some of the important items in this category in speaking of our operations last year. It is not possible to forecast these items for the new year in detail nor with great accuracy, but I think I can safely predict that we shall have some fairly substantial items of this character this year, as we did last year. Provision is made in the estimates already tabled for loans and investments of approximately \$51 million, of which \$50 million is for various purposes under the Soldier Settlement and Veterans Land Acts and approximately \$1 million for the construction expenditures of the national harbours board. We must also anticipate some loans to the Canadian National Railways and other government corporations and enterprises, although at the present time I am unable to forecast the magnitude of these.

The important items in the last few years have been those relating to the financing of

exports. In this current fiscal year, we shall not have such large loans to overseas countries as we did last year, but we shall have some. I would expect that, taking into account what we know about our prospective balance of payments for the current fiscal year, we shall have to use an important part of our budget surplus to finance the excess of our exports of goods and services over our import of goods and services. This will include the Canadian dollars which we must find to finance exports to foreign countries on credit and to buy United States dollars from Canadian exporters which we must add to our reserves or use to pay our debts abroad. This use of Canadian dollars to finance current international payments adds to incomes and national expenditures and should be deducted from our surplus in appraising the real effect of government operations on the inflationary situation. We should deduct in a similar way that part of our domestic loans and investments which will be used on capital expenditures or for other spending purposes.

Moreover, a substantial portion of our redemption of debt this coming year will take the form of the repayment of refundable taxes, and we must expect that a large proportion of this particular type of debt repayment will give rise to current expenditures and cannot be reckoned anti-inflationary. The law requires us to repay before the end of this fiscal year the refundable portion of the taxes on the income of 1943, which we have estimated at \$150 million for personal income taxes and \$67 million for excess profits taxes. In addition, the government has decided that in view of the increasing difficulty of tracing the movement of taxpayers and identifying them, and in order to save the heavy expenses of a double issue of cheques to over one million recipients, the refundable tax that was collected on that part of the personal income of 1944 that was subject to such tax, will be repaid at the same time as the refundable tax on 1943 incomes. This will mean an additional refund of \$80 million or a total for the two years combined of approximately \$230 million. That part of these refundable taxes and of our loans and investments that will be used to finance expenditures will account for a large part of our surplus and only the remainder will have an important anti-inflationary effect. Consequently, it is upon this remaining portion that we should concentrate in considering our budget policy.

BUDGET POLICY

From the information I have given, it is clear that if our budget problem were simply and solely to find enough revenue this year to

meet our expenditures defined in the narrow accounting sense, we could afford to reduce taxes by a substantial amount. But that is not our budget problem, and if we approached our affairs in such a shortsighted manner, we would betray the responsibility which the people of Canada have entrusted to us.

In the first place, we must look further into the future than this year. Quite apart from any effort to influence the economic situation, which I will consider later, we must bear in mind that times are exceptionally good at present, economically and financially, and it would not be prudent to rely on such conditions continuing indefinitely. [We should now be preparing for times when markets and employment are not so favourable—or at least when we will have to spend money to support them and to meet other expenditures that turn up when business turns down. Our surpluses now are temporary surpluses and will quickly disappear when we have more difficulty in selling our goods abroad and less capital expenditure by business in Canada. We should, therefore, be putting away what we can now for a rainy day. In our case, we put it away by paying off debt.]

Secondly, we face today very great uncertainties in international affairs, and, as I said, we may be confronted at any time on short notice with a large increase in expenditures on national defence. As long as that remains a possibility, we should have some considerable margin of safety in our revenues to take care of such an increase in our expenditures; otherwise, we would have to add to the other disturbing effects of an expanded defence program the complications of sudden inflationary expenditures or sudden increases in taxes. A substantial surplus will help to keep our powder dry.

Thirdly, this government and this parliament must accept a considerable measure of responsibility for influencing and, indeed, directing economic trends in so far as that can be done within the framework of our political and economic principles. Were we only a small municipality, unable to influence the mighty economic forces determining the prosperity of our citizens, it would still be wise for us to look further ahead than this year and to put something by at present. But for those charged with responsibility of directing the affairs of the nation as a whole, the case is very much stronger. What we do will affect the fortunes of our citizens and their cost of living. If we diverted our prospective surplus into a reduction of taxes now, it would add hundreds of millions of dollars a year to the already intense demands of Canadians for goods and services—but it would add nothing to the volume of Canadian goods and services

available for sale. People would try to buy more, but there would not be more to buy, unless the effort to get it resulted in more imports that we cannot afford and which we would have to shut out somehow or other. Prices would be sure to rise. Some people would profit, but others would lose out to the higher cost of living. The apparent benefits of tax reduction would prove to be a mirage except to those strong or fortunate groups which can profit more than they suffer by higher prices.

There is another aspect to it. As a nation we are struggling now to live within our means so far as foreign exchange is concerned, and to get enough reserves to enable us to be masters of our own affairs and not dependent on what we can earn from month to month or on help from others. In this emergency we are having to use restrictive government controls that most of us dislike and that are alien to our whole way of doing business. We want to get rid of them as soon as we can. If we do not, they will not only stay but spread into other fields. To get rid of these controls, we must build up an export surplus—we must try to export more or import less, or both. We cannot do that if we are trying at the same time to increase substantially our purchases of goods and services in Canada—because we are already producing and selling practically all that our resources of labour and material make possible. Therefore, it would not be sensible to make any general reduction in our taxes now and thereby increase the amount that people and businesses can spend on goods and services. To slash our taxes now would fasten controls more securely on our national life.

I believe that all parties in this parliament and most Canadians share the view that the national budget is no longer merely a matter of the government accounts that should be balanced every twelve months on some financial rule of thumb. We view the national budget now as an integral part of the nation's business, influenced by and having an influence upon the state of employment, income and prices. I think we would all agree that in times of widespread unemployment and insufficient demand for goods and services our expenditures should be increased in order to support employment and incomes, and that they could and should exceed our revenues under such conditions. Now we are at the opposite extreme and we should follow the opposite course. We should deliberately budget, as a matter of policy, for substantial surpluses in times like these. Only that way can we hold inflationary forces in check. Only that way, over the course of many years, can we

make up at least in part for the deficits we shall have in less favourable years, and prevent an indefinite spiralling up of our national debt already at a very high level as the sequel to two wars. Now is the time to lay the foundation for employment budgets in future, while fighting inflation at present.

Some friends have suggested to me, seeing this surplus in prospect, that I should adopt the device of burying part of it in some sort of reserve for future expenditure on national defence, national development, or social security. Such an arrangement, they say, would make the surplus less visible and less of a temptation to those who, for one reason or another, feel that taxes should be reduced or expenditures increased, notwithstanding the wisdom of acting otherwise. This could be done. We could announce, with appropriate fanfare, the creation of a national development fund or a national welfare fund—and put into it several hundreds of millions of this year's revenues and provide that the fund was to be used under some specified circumstances in the future. This would, of course, be simply bookkeeping; it would alter nothing in reality; it would simply complicate a situation that is more easily understood as it is now. Bookkeeping funds for meeting future liabilities have their place—but only, I think, for meeting contractual liabilities incurred now to be paid in the future, like insurance or pension or annuity liabilities. As a means for transferring revenues from one year to meet expenditures in another they are unnecessary, if parliament and the public can appreciate the relatively simple reasons for budgeting for surpluses in good years and for deficits in poor years. I believe the simple and straightforward presentation of the budget problem is the best one, and that hon. members of this house and others outside will support the policy I propose on its merits without the support of artificial devices.

The arguments of general policy are reinforced by specific circumstances applying to the important types of tax. In the case of the personal income tax, we have already had three substantial reductions since the end of the war, and ours, I believe, is now, by and large or for the majority of people, the lowest income tax in the English-speaking world, with the highest exemptions. It has been reduced to levels which, under present circumstances, offer no serious impediment to work or initiative—at least, none that could be removed by any further reasonable reduction. Its details have been improved—and we shall continue to improve them. Its administra-

tion has been greatly strengthened and, as the larger staff overtakes accumulated arrears, it will continue to gain in efficiency, smoothness and fairness.

In the case of corporations our tax, together with provincial tax, is substantial but slightly lower than that in the United States, and corporations in both countries are thriving at present, to say the least. There appears no need to reduce our corporation tax either on grounds of incentive or to release more corporate profits for capital expenditures or for dividends. In this field, too, there have in recent years been considerable improvements in detail that make the tax more equitable and less burdensome in special and unusual cases.

In the field of commodity taxes, we have still retained in many cases the higher rates introduced during the war, as well as the basic rate of sales tax adopted before the war. We have dropped, of course, the war exchange tax, because it was discriminatory and because it was adding substantially to costs of production. We have also removed our sales tax from equipment and machinery, used in production, to help keep costs down and improve our competitive position. We have reduced our tariffs as a part of a deliberate plan to encourage and develop trade. We have relinquished the important field of gasoline taxes wholly to the provinces. We have repealed the tax on sugar and lowered the duties on tea and coffee to help keep the price down. We have repealed the sales tax on the domestic use of electricity. We have made other more specific changes to meet specific problems or for special reasons. But we have not reduced the heavy wartime taxes on tobacco, liquor and other beverages or the taxes on a wide range of those less essential goods or services considered proper means of raising the additional revenue required for war and reconversion needs. The present circumstances are not appropriate for far-reaching reductions in these indirect taxes. Demands are so excessive in relation to supply that we cannot rely upon competition or other market forces to ensure that the consumer would get the benefit of any general or widespread reductions we might make. Producers or distributors are in a favourable position to gain whatever the treasury gives up, and they could probably find plausible reasons for doing so, notwithstanding the high levels of profits at present.

In regard to possible reductions in the income tax, there is another consideration which I feel I should explain at greater length, and that is the comparison between our levels of income tax and those in the United States—a com-

parison which appears to be regarded as one of considerable importance. I must confess that I am repeatedly surprised that from this comparison conclusions are almost always drawn unfavourable to Canada, despite very strong evidence to the contrary.

In order to set forth the facts as clearly as possible, I would like now with the consent of the house to place on *Hansard* tables comparing the Canadian and American taxes at various levels of income:

Comparison of Personal Income Tax in Canada and United States for 1948

These comparisons are made up on the following assumptions

Canadian Tax

1. No allowance made for medical expenses, pension contributions, charitable donations, or other deductions. Taxpayers claiming such deductions would pay less tax than shown.

2. All income over \$30,000 assumed to be investment income and subject to additional 4 per cent tax.

3. Family allowances for children taken into account as being in lieu of income tax relief for children.

United States Tax

1. Deduction of 10 per cent of income up to a maximum of \$1,000 claimable by every taxpayer in lieu of deductions for medical expenses, charitable donations, state taxes, etc.

2. All taxpayers assumed to take full advantage of the provision for splitting incomes between husband and wife.

3. New York State income tax included in calculation.

Single Taxpayer—No Dependents

Income	Canadian Tax	U.S.A. Tax including State Tax	Amount by which Canadian tax exceeds U.S.A. Tax
700 .....	..	5	..
800	5	20	..
900	16	35	..
1,000	29	50	..
1,100	44	65	..
1,200	61	81	..
1,300	80	97	..
1,400	100	113	..
1,500	120	129	..
1,800	180	177	3
2,000	220	209	11
2,250	270	249	21
2,500	320	290	30
2,750	370	332	38
3,000	420	376	44
3,500	520	471	49
4,000	620	566	54
5,000	835	760	75
7,500	1,465	1,342	123
10,000	2,253	2,034	219
20,000	6,515	6,250	265
25,000	9,015	8,918	97
30,000	11,728	11,762	..
50,000	23,456	23,893	..
75,000	39,418	41,025	..
100,000	56,631	59,697	..
200,000	133,056	140,310	..

Married taxpayer—No children

Income	Canadian tax	U.S.A. tax including state tax	Amount by which Canadian tax exceeds U.S.A. tax
1,400 .....	..	10	..
1,500 .....	..	25	..
1,600	10	40	..
1,700	22	55	..
1,800	36	70	..
2,000	70	100	..
2,250	120	137	..
2,500	170	174	..
2,750	220	212	8
3,000	270	251	19
3,500	370	332	38
4,000	470	412	58
5,000	670	578	92
7,500	1,260	1,048	212
10,000	1,990	1,556	434
20,000	6,140	4,512	1,628
30,000	11,315	8,366	2,949
50,000	23,043	18,078	4,965
75,000	38,968	32,245	6,723
100,000	56,143	47,841	8,302
200,000	132,493	119,429	13,064

Married Taxpayer—Two Children of Family Allowance Age

Income	Canadian tax	Net position of Canadian taxpayer after receiving average family allowance payments	U.S.A. tax including State tax	Amount by which Canadian net tax position exceeds U.S.A. tax
1,800	10	+	134	....
1,900	22	+	122	....
2,000	36	+	108	....
2,250	80	+	64	....
2,500	130	+	14	....
2,750	180		36	24
3,000	230		86	50
3,500	330		186	125
4,000	430		286	203
5,000	630		486	364
7,500	1,208		1,064	797
10,000	1,930		1,786	1,299
20,000	6,040		5,896	4,120
30,000	11,205		11,061	7,878
50,000	22,933		22,789	17,439
75,000	38,848		38,704	31,544
100,000	56,013		55,869	47,068
200,000	132,343		132,199	118,502

The figures which are included in this table for the United States give full effect to the recent reductions enacted by congress, including the option of splitting the income of married persons between husband and wife. They take account, too, of the standard deduction

of 10 per cent of income in lieu of other deductions, which I understand is claimed by 85 per cent to 90 per cent of American taxpayers. On the other hand, the Canadian figures represent the maximum possible tax that would be paid in Canada, with no deductions counted for contributions to charity or pension funds, and no deductions for medical expenses. They are based as well on the assumption that all income in excess of \$30,000 is investment income, subject to the additional 4 per cent tax. In the case of taxpayers with children, the receipt of family allowances is taken into account in the comparison, since these are clearly understood to be in lieu of additional income tax exemption for persons subject to income tax. The United States, of course, has no corresponding allowances. The American figures include taxes payable in New York state as typical of the taxes now levied by more than half the states. Any lack of comparability in these figures is such as to make the Canadian tax appear high by comparison.

Despite the common conception of lower taxes in the United States, it is clear from this table that at many points the Canadian tax is lower. Indeed, taking into account the number of taxpayers at various income levels, I am able to make what is to me the striking statement that three out of every four Canadians would pay more income tax on their present income if they lived in the United States rather than in Canada. As these tables show, it is mainly in the fairly well-to-do class of married taxpayers that American taxes are appreciably lower, and that result is now achieved principally by the unique feature, recently adopted in the United States, of allowing the splitting of income between husband and wife for tax purposes—a feature which was extended to the whole of that country where there appeared no other means of achieving equity as between those states where this privilege existed through local laws and those states where it did not. Were this provision not a part of the American law, there would be only a moderate difference in the amount of tax payable, even at these high levels of income for married persons. I know it will be difficult to dissipate the general misconception that seems to prevail regarding the respective levels of personal income tax in the two countries, but I venture to think that any thoughtful person who takes the trouble to examine the figures carefully will conclude that most statements made in this connection, if not entirely wrong, are at least considerably exaggerated.

TAX PROPOSALS

After considering all these matters, I have come to the conclusion that the budget this year should contain no general tax changes. There are a number of specific changes which should be made to improve our tax system and which I think can be made for that purpose, without seriously worsening the inflationary danger or seriously offending against the principles which we should follow in general. These I shall now propose and explain. They will involve reductions in taxes of types and in places where reductions will be most helpful. But they are to be regarded as exceptions rather than the rule. The general policy for this year should be to use our surplus to reduce our debt and thereby to fight inflation in the manner most suited to our type of government and our way of life.

PERSONAL AND CORPORATE TAXES

In the field of personal income taxes, I am proposing one change of significance which will, I believe, be accepted with commendation on all sides of the house. Having in mind the large number of elderly people living on small fixed incomes, and out of consideration for the particular trials and increased expenditures that usually come with advancing years, I am proposing that an additional exemption of \$500 be granted to a taxpayer of sixty-five years of age or over. Many of these elderly people living on small pensions or other forms of fixed income with no opportunity to participate in the increased wages, salaries or profits enjoyed by other sections of the community, are particularly hard hit by the higher costs of living which present boom conditions have brought about. This group of our citizens are entitled, I think, to special consideration at this time. This special exemption follows a precedent established both in England and in the United States, and its effect in Canada will be that no taxpayer of sixty-five or over will pay tax until his income exceeds \$1,250 if he is single, or \$2,000 if he is married. This change will apply for 1948 and will cost about \$5 million in revenue for a full year.

In order to encourage the continued search for new sources of minerals, oil and gas in the interest of developing our natural resources and conserving United States dollars, I am also proposing to extend for another year the allowances and tax credits now granted the mining, oil and gas industries in respect of exploration and off-property drilling expenses.

It is also proposed to increase the penalty rates applying to unpaid taxes from the present 4 per cent and 7 per cent to 6 per cent and 8

per cent respectively. These higher penalties will provide an additional spur to the payment of the proper amount of tax on the due date and contribute to greater equity as between individual taxpayers. At the same time, I feel that it will also be appropriate to make provision for the payment of interest by the government on taxes overpaid by the taxpayer. I am therefore proposing that interest of 2 per cent per annum be paid where the amount of overpayment is \$5,000 or less, and one-half of 1 per cent on the excess over \$5,000.

I do not wish to encourage the lending of money to the government at high rates of interest, and the rate of two per cent is the rate which was paid on compulsory savings.

REVISED INCOME TAX ACT

As hon. members and the public at large will recall, I introduced at the 1947 session of parliament a revision of the Income War Tax Act which has become known generally among those interested as Bill 454. It will be remembered that this bill received only first reading at that time, and was allowed to stand over for study by members of parliament, lawyers, accountants, businessmen and taxpayers generally throughout the country in order that we might have the advantage of the broadest possible consideration of this important measure. I may say that the opportunity thus afforded to study the bill has resulted in a very thorough examination of its provisions and the various individuals and organizations which have submitted briefs are to be congratulated on the constructive nature of their suggestions. These have been of great assistance to myself and the officials engaged in redrafting the bill.

In keeping with the intention I announced last year, I plan to reintroduce the revised bill as soon as the budget resolutions have been disposed of in the expectation that the new measure will be enacted this year. However, because its final passage may not come until towards the middle of the year, I am now proposing that its effective date be postponed until the beginning of 1949, rather than have it apply retroactively to the beginning of the present year, as I had earlier planned to recommend. Anticipating the adoption of this proposal by parliament, I will introduce some minor amendments to the present Income War Tax Act applicable to 1948 which will anticipate certain features of the new bill that it is felt desirable should be brought into effect for the present year. These amendments are of relatively minor importance and will be dealt with fully when we are discussing the 1948 amendments to the Income War Tax Act.

COMMODITY TAXES

In the field of commodity taxes, I have felt it necessary to frame my proposals in the light of the government's general fiscal program, and am, therefore, not proposing any sweeping or drastic reductions in tax rates. I have considered, however, whether anything might be done by way of a direct contribution toward reducing the cost of living at one of those points where it has been felt most acutely, that is, in the cost of food, and where it would create little additional inflationary pressure. As a positive step in this direction I have decided to propose to parliament that substantially all of the items of food not now exempt from the sales tax be put on the exempt list from tomorrow onward. As I have said before in this house, most of the standard food items such as bread, butter, milk, cheese, eggs, salt, sugar, fresh fruit and vegetables, and fresh meats are now exempt from sales tax, and the items taxable at the present time are comprised largely of canned, packaged, processed or otherwise prepared foods. Under the proposed change practically all the items in this latter group will be exempt from tax. In general the new exemptions will include fruits and vegetables, whether canned, frozen or dehydrated, including jams, jellies and marmalade; fruit and vegetable juices; prepared meats and poultry, whether canned, smoked, cooked, frozen or dried; canned soups; canned fish; prepared cereal breakfast foods excluding beverages; biscuits and cookies; yeast and ready mixed flour preparations; spaghetti and macaroni and one or two other items of lesser importance. The revenue loss involved in granting these exemptions will be of the order of \$20 million in a whole year.

It is my hope that the removal of the 8 per cent tax from this long list of items will result in a reduction in prices as soon as the reductions can be passed along to consumers. I appreciate that this tax is imposed at the point of manufacture or wholesale distribution, and has already been paid, therefore, on goods now in stock in retailers' hands. At the same time, I wish to make the position clear that there will be no refunds or credits of tax to manufacturers or wholesalers in cases where they accept the return of goods previously delivered in respect of which taxes are repealed by this budget.

Again having in mind the needs of the average household, I am proposing that the 25 per cent retail purchase tax be lifted tomorrow from silver-plated knives, forks and spoons and

from alarm clocks of a retail value of \$10 or less. This change will remove from the scope of the retail sales tax items of common use in the home. I am also proposing as a measure of alleviation to the blind that braille watches be exempt from the tax. The revenue reduction involved in these changes will amount to about \$600,000 for a full year.

AMUSEMENT TAXES

Hon. members will recall that a year ago the dominion government withdrew its gasoline tax on the ground that this field was one that had been traditionally occupied by provincial governments and had been entered by the dominion under the emergency conditions of war-time. It will be recalled, too, that on several occasions it has been represented to the federal government by provincial governments that the dominion should also withdraw from the other fields in which the provinces have been normally regarded as having a particular interest. These included principally the dominion tax on the consumption of electricity, which was withdrawn last November, and the dominion tax on amusements and pari-mutuel bets. In regard to these latter two fields I am proposing that the dominion taxes cease to be imposed from tomorrow onward. This amendment will apply to the 20 per cent tax on admissions to theatres and the like, the 25 per cent tax on expenditures in other places of entertainment and the 5 per cent tax on pari-mutuel bets. Our revenue will be reduced by an estimated amount of \$23,500,000 a year as a result of dropping these taxes. May I be permitted here to express the hope that in these cases where the dominion government removes taxes on this kind and withdraws from the field, the taxpayers of Canada will receive the benefit of such action and that, so far as possible, provincial taxing authorities will refrain from stepping in?

39. TAX ON IMPORTS

In another field I am proposing that the 3 per cent excise tax on imports from general tariff countries be repealed. The tax in its present form is a vestige of a levy first imposed in 1932 which applied originally to imports from all countries. Its scope of application has been gradually narrowed until at the present time it serves only as a needless encumbrance to trade with a relatively limited number of countries. The revenue from this source last year was about \$2,100,000.

MISCELLANEOUS TAXES

Several other miscellaneous changes of a minor character are also proposed. The tax of sixty cents a gallon on spirits used in making vinegar will be removed. This tax was intended to encourage the production of cider vinegar but I understand has not had this effect, and at the present time only increases the consumer cost of a food item in widespread use. A minor change will be made in the tax on matches by adding an extra bracket in the rate schedule to apply to books or packages containing a very small number of matches. As a result of representations I have received from religious and educational leaders to the effect that the 25 per cent tax imposed on 16-millimetre projectors for films and slides is discouraging the further use of such projectors in schools, churches and other institutions, the tax will be removed from 16-millimetre projectors. Wheel chairs for the use of invalids will be exempt from the sales tax, and other minor amendments affecting hay binders and presses and rope used by fishermen will also be made in the sales tax.

Turning to a field somewhat removed from that just discussed, I wish to outline two significant changes that I will propose in the field of succession duties. The house will recall that the dominion entered this field for the first time in 1941. We entered it not as a temporary wartime measure but as a permanent step in a direction which we felt might eventually lead to a national uniform system of death duties. This end was further promoted by the withdrawal of the death duties imposed by the seven provinces which entered into the dominion-provincial tax rental agreements. It is, therefore, a fact that the measure of relief I am about to propose is possible to a large extent because of the assurance I have that as a result of the provincial agreements it will be fully effective in at least seven of the provinces.

SUCCESSION DUTIES

The measure that I have particularly in mind in this connection is that whereas in the past the smallest size of estate subject to dominion duty has been \$5,000, I am proposing that no estate of a person dying on or after January 1 of this year will be subject to duty unless it exceeds \$50,000. In effect, this means that the dominion government is withdrawing completely from the field of succession duties as this affects the smaller estates. The significance of this change will be realized when it is considered that about 90 per cent of the estates of deceased persons in Canada will henceforth be

completely free of dominion duties. This relief will result in a great saving in the administrative burden of handling a great volume of small estates, will expedite the settlement of the affairs of many deceased persons and, above all, will relieve the beneficiaries of these small estates of any dominion duty on the bequests they receive. It is estimated in this connection that at the present time in a full year the revenue loss involved in this change will be in the neighbourhood of \$5 million.

I am suggesting another change as a measure of encouragement to charitable bequests. Whereas, under the present law, up to one-half of an estate may be left for charitable or educational purposes exempt from succession duty, in the future this limit will be removed and any amount of the estate may be given to charity free of succession duty. This measure has been urged on me for some time by religious and educational leaders, and in a society where our great public institutions still depend to a large extent on private support I feel that a measure of this sort is justified in the general public interest.

There will also be several other minor changes of a technical character in the Succession Duties Act of which the principal will be to define the basis of share situs in the case of companies as the place of incorporation of the company, the basis now generally adopted in our succession duty treaties with other countries.

All these amendments to the Succession Duties Act will be effective as from the first of this calendar year.

TARIFF PROPOSALS

When I presented the budget last year, I referred to the tariff negotiations which were then taking place at Geneva under the sponsorship of the economic and social council of the united nations. These negotiations were successfully concluded in October. The results are embodied in the General Agreement on Tariffs and Trade which was made public on November 18. The successful outcome of these negotiations has been a most encouraging development in the international efforts that have been undertaken since the end of the war to establish better economic relations between nations. This General Agreement is the most comprehensive international agreement ever concluded for the reduction of barriers to trade, having regard both to the volume of world trade affected and to the

scope of the undertakings. The reductions and concessions in tariffs which each of the twenty-three participating countries and separate customs territories represented at Geneva agreed to grant one another apply to approximately one-half of total world imports.

At the conclusion of the Geneva conference, eight of the participating countries, including the United States, the United Kingdom and Canada, agreed to make these reductions effective provisionally as from January 1, 1948. Since that date, four additional countries either have brought their concessions into provisional effect or have indicated their agreement to do so in the near future. Consequently, Canada is at present receiving the benefits of the Geneva reductions on a very large part of her total export trade. Similarly, Canada has granted the Geneva concessions in the Canadian tariff to the other signatories since the beginning of the year.

The Canadian concessions were extended provisionally by order in council under the authority granted to the governor in council in the Customs Act. The Canadian concessions negotiated at Geneva will be brought into effect finally, and the General Agreement will be ratified, only after the approval of parliament has been secured. The agreement was submitted to parliament at the opening of this session, and is now before the standing committee on banking and commerce where it is being examined in detail. The further legislation necessary for the implementation of the agreement will not be proposed until after the committee's report has been received.

The budget resolutions concerning tariffs and customs which I am introducing at this time are confined to two matters. It is proposed to make a number of adjustments in the existing tariff to bring it into line with present needs and conditions. It is further proposed to make a number of changes designed to facilitate the importation from the United Kingdom of important supplies which we need in Canada and in respect to which the United Kingdom has been experiencing particular difficulties in her efforts to re-establish her pre-war position in this market.

The adjustments in the tariff which I am proposing are all downward adjustments. No increases are proposed. Some of the reductions are designed to take account of technological changes which have occurred in the last few years; some would effect reductions in costs of production; some would remove complexities

and facilitate administration, and a number would embody reductions already made by order in council in response to immediate circumstances that have arisen from time to time. In general, the changes proposed would effect some reductions in costs of operation in a number of important industries including the mining industry, the building industry, and in certain parts of the dairy products industry.

Among the resolutions which I am introducing tonight, there is a proposal to suspend temporarily the British preferential duties on cotton and rayon piece goods. As hon. members know, the United Kingdom has for many years supplied an important part of our requirements of these commodities. During the war, the United Kingdom was unable to keep her place in our market. Since the end of hostilities, continued efforts have been made to restore the production and exports of this great staple of British trade. However, the shipments which the United Kingdom has been able to make to Canada have not increased as rapidly as we had hoped both from the standpoint of what our consumers need and from the standpoint of our desire to reduce the large gap in our balance of payments with that country. At present, British exporters of cotton and rayon piece goods are encountering difficulties in their efforts to expand sales to Canada because their laid-down prices in this country, after payment of duty, are higher than what our converters and consumers can afford to pay. The proposal to suspend the duties temporarily would help to reduce the obstacle arising out of the price situation.

We have received assurances from the United Kingdom that the reduction in landed prices made possible by any removal of duties would be passed on to Canadian buyers. We have been assured also that the United Kingdom government will take all possible steps to see that the target which has been set for shipment to Canada of 80 million yards of cotton piece goods in 1948 will be met. With these assurances, the suspension of duties should make it possible for Canadian consumers to obtain essential supplies of cotton and rayon piece goods at lower prices and in substantially larger quantities than would otherwise have been the case.

I am therefore proposing that the British preferential duties on cotton and rayon piece goods be suspended until June 30, 1949. There will be an opportunity to review this whole

matter on the basis of the results achieved before that date. In accordance with our commitments in the Geneva agreement, under which preferential margins may not be widened, the proposal to suspend the British preferential rates on cotton and rayon piece goods includes a reduction in the most-favoured-nation rates on these items by the same amount until June 30, 1949. However, the imports of cotton and rayon piece goods from scheduled countries are limited by the quota under the Emergency Exchange Conservation Act.

Finally, among the resolutions pertaining to tariff and customs matters, I am including a proposal which would enable the governor in council to relieve certain goods or classes of goods from special dumping duty. Under this proposal such relief could be granted in cases where the governor in council determines that the importation of the goods is necessary to meet essential requirements in Canada or could be used to advantage in Canada without causing hardship to Canadian producers. In view of continuing scarcities, it is clearly desirable that it would be possible to grant relief from dumping duty in such circumstances.

It is estimated that these reductions in tariff duties will result in a reduction in revenue of some twelve to fourteen million dollars in the current year.

CONCLUSION

It is estimated that, taken altogether, the tax changes and tariff reductions which I have proposed will reduce our revenues in a full year by over \$70 million and in the remainder of this fiscal year by something over \$60 million. Deducting this latter figure from my forecast of revenues before tax changes will leave us with anticipated revenues for the current year of approximately \$2,664 million. On this basis the anticipated budgetary surplus for the year will be reduced to \$489 million. We shall have of course additional receipts of cash from repayments of loans and from the accumulation of annuity, pension and insurance funds, but these, it is believed, will be substantially less than last year, because we are not likely to be receiving repayments from the foreign exchange control board nor nearly as large a repayment of the United Kingdom 1942 loan. When we have made the loans and investments which the year's operations will

require and have paid back the refundable taxes for 1943 and 1944 which of course is a form of debt retirement, we shall find that our remaining cash surplus will not in fact be a large one. Moreover, we could not allow our budgetary surplus to be reduced much further without running the risk that the sum total of the government's financial operations this year might have an inflationary, rather than anti-inflationary, effect.

It may be of interest to note that if we followed the budgetary practices of the United States government, under which they include on the one side all receipts except borrowings, and on the other side all disbursements except redemption of debt, we should have a small surplus in this coming year. The practices that we follow are better, I believe, in that they present a truer accounting picture of our different types of transactions and show more clearly the changes in our net debt and assets, but the American practice has certain advantages in times like these when it is desirable to take an over-all view of the government's financial operations in deciding what is the proper budget policy from the point of view of the effects upon the national economy.

A substantial portion of the requirements for this year which I have described arise directly out of the war; this is true of a portion of our expenditures, particularly on veterans benefits, housing and subsidies. It is also true of some of our loans and investments, and, of course, the refundable taxes arose from wartime operations and will be mostly repaid by the end of this year. If no new types of expenditure are undertaken, and if economic conditions remain favourable, we can expect a decline in our requirements in future years, but even in such circumstances we could not expect a drastic decline. The effects of two world wars on our public debt cannot be escaped, however severely we may economize. The wars have also left us a heritage of pension bills. The new international situation and the dangers of total war have brought us continuing high costs for national defence. But these are not the only factors. The activities and scope of government in Canada have been extended by popular consent and, indeed, by popular demand. Parliament and the government have a wider responsibility than before the war, particularly in the field of economic affairs. Our expenditures inevitably reflect this extension. Social security is an expensive undertaking, and we have moved substantially into this field since before the war and are now spending hundreds of millions of dollars each year upon it. We are already undertaking much more in national development, trade promotion and the support of prices of prim-

ary products. All political parties and the public generally take it for granted now that governments must bear some responsibility for maintaining employment when large-scale unemployment threatens. That is bound to be a very expensive responsibility if economic circumstances outside of Canada become adverse.

With these wider responsibilities already assumed and in contemplation, with the public demand there is today for additional government responsibilities and expenditures in many fields, we must anticipate large budgets in future, and we cannot lightly reduce taxation in any field. Those who advocate increased expenditure should bear in mind the weight of our budgetary problems in the future. There is no inexhaustible source of revenue that we can tap. There are limits to what we can spend without raising additional revenues, if we are to prevent inflation and the hidden burdens which it imposes. I wish to appeal particularly to hon. members at this time to bear thoughtfully in mind our future budgetary problems when considering new proposals for government activity, social security, or other expenditures. In the world of today we must be prepared to undertake much that is new, much that is daring, much that is big. We must also be prepared, however, to pay the price, and it is in our budgets that that price is brought home to us.

I think we can well take pride in the prudent, responsible and effective way in which the financial and economic affairs of this country have been managed both during the war and since the war has ended. I hope I am not one given to overstatement, but I doubt whether any nation in the world has a better record in this field.

Canadians I think are realists. We do not expect to get something for nothing. We know that things have their price. We are proud of the advances which we have been able to make in the field of social security, and in assuring to our people a better and a fuller life. We know that to attain these great purposes, we must frame our policies and direct our efforts towards achieving and maintaining a high and expanding level of employment and income. That is what we have done, and that is what we are continuing to do. The record speaks for itself. Canada today enjoys a level of employment, prosperity and national income, and a standard of living and of real social security never achieved before in the history of our country. That that is so, Mr. Speaker, is due in large measure to the wisdom, the vision, and the

supreme qualities of statesmanship possessed by a man who for more than twenty years of the last quarter century has been the head of the government of our country, the present Prime Minister of Canada (Mr. Mackenzie King).

I want to table now the budget resolutions.

INCOME WAR TAX ACT

Resolved, that it is expedient to introduce a measure to amend the Income War Tax Act and to provide:

1. That, in addition to other deductions, a deduction from income for the 1948 taxation year of \$500 be allowed to an individual who has attained the age of 65 years prior to the end of the year;

2. That, for the 1948 taxation year, interest be allowed at the rate of 2 per cent per annum on overpayments of tax to the extent of \$5,000 and $\frac{1}{2}$ per cent per annum on overpayments in excess of \$5,000 (no interest less than \$1 to be payable); and that the rates payable on overdue taxes be increased from 4 per cent and 7 per cent to 6 per cent and 8 per cent, respectively;

3. That special deductions from income or taxes be allowed to taxpayers engaged in exploring or drilling for natural gas, oil or minerals in respect of expenses incurred in 1949 operations on the same basis as the deductions allowed in respect of 1948 operations;

4. That, for the 1948 taxation year, no expenses in respect of the earning of wages or salary may be deducted except where a taxpayer is an employee of a person whose principal business is transport and his duties require him to be absent from his home regularly, in which case expenses for board and lodging may be deducted, and where a taxpayer is employed to sell property or negotiate contracts, is required to pay his own expenses and performs his duties away from his employer's place of business, in which case expenses may be deducted from commissions or other fees; and

5. That the 15 per cent income tax on non-resident persons be extended to apply to patronage dividends paid on or after May 19, 1948.

DOMINION SUCCESSION DUTY ACT

Resolved, that it is expedient to introduce a measure to amend the Dominion Succession Duty Act and to provide, effective with respect to any succession upon the death of a person on or after January 1, 1948:

1. That the general exemption of estates not over \$5,000 be extended to estates not over \$50,000;

2. That the limit on exemptions for gifts to charitable organizations of 50 per cent be removed; and

3. That for the purposes of the act, shares of companies incorporated in Canada shall be deemed to be situated in Canada.

THE EXCISE TAX ACT

Resolved, that it is expedient to introduce a measure to amend the Excise Tax Act and to provide, effective on and after May 19, 1948:

1. That the sales tax on the following list of articles be repealed:

(a) shortening; soups; rice; yeast; yogurt; barley; split peas; peanut butter; biscuits, cookies and similar articles; pastry, cake, biscuit and similar mixes; cereal breakfast foods not including beverages; foods prepared

and sold exclusively for feeding infants; fruit, canned, frozen, dried or evaporated; fruit juices which consist of at least ninety-five per cent of pure juice of the fruit; jams, jellies, marmalades and preserves; corn syrup, table syrups and molasses; meats and poultry, cooked, canned, frozen, smoked or dried; canned fish; spaghetti, macaroni and vermicelli; vegetables, canned, frozen or dehydrated, but not including pickles, relishes, catsup, sauces, olives, and similar goods; vegetable juices; and

(b) hay presses and complete parts thereof; auxiliary internal combustion engines incorporated into agricultural implements or agricultural machinery, and complete parts thereof; crushed stone or crushed gravel; articles imported by or for public museums, public libraries, universities, colleges or schools, and which are to be placed in such institutions as exhibits; wheel chairs and complete parts thereof specially designed for the use of invalids;

2. That the excise tax on the price of admission to places of amusement be repealed;

3. That the excise tax on charges made in places of entertainment be repealed;

4. That the excise tax on bets on horse racing be repealed;

5. That the retail purchase tax on watches specially designed for use of the blind, alarm clocks selling to the user at not more than ten dollars each, and plated table knives, forks and spoons, be repealed;

6. That the special excise tax of three per cent on goods imported into Canada from general tariff countries be repealed;

7. That the rates of excise tax on matches be amended to provide for a proportionate rate of tax on packages of smaller sizes; and

8. That the excise tax of 25 per cent be repealed on 16 mm projectors for slides, films or pictures, and that the tax be extended to cover projector mechanisms, sound equipment, arc lamps, lenses, bases, and film magazines or reels for moving picture projectors.

THE EXCISE ACT

Resolved, that it is expedient to introduce a measure to amend the Excise Act to repeal, effective on and after May 19, 1948, the excise duty on spirits used in the production of vinegar.

CUSTOMS TARIFF

1. Resolved, that it is expedient to introduce a measure to amend the Customs Tariff, being chapter forty-four of the Revised Statutes of Canada, 1927, as amended, as follows:—

(a) By repealing subsection one of section three and substituting the following:—

"3. (1) Subject to the provisions of this act and of the Customs Act, there shall be levied, collected and paid upon all goods enumerated, or referred to as not enumerated, in schedule A to this act, when such goods are imported into Canada or taken out of warehouse for consumption therein, the several rates of duties of customs, if any, set opposite to each item respectively or charged on goods as not enumerated, in the column of the tariff applicable to the goods, subject to the following conditions, viz.:

(a) The rates of customs duties, if any, set forth in column (1), 'British preferential tariff', shall apply to goods the growth, produce or manufacture of the following British countries when conveyed without transshipment from a port of any British country enjoying the benefits of the British preferential tariff into a sea, lake or river port of Canada:

United Kingdom of Great Britain and North-
 ern Ireland
 Union of South Africa
 Australia
 New Zealand
 India
 Pakistan
 Ceylon
 Eire
 Newfoundland
 British West Indies, including:
 Bahamas
 Jamaica
 Barbados
 Trinidad and Tobago
 Antigua
 St. Christopher-Nevis
 Dominica
 Montserrat
 Virgin Islands
 Grenada
 St. Vincent
 St. Lucia
 Turks and Caicos islands
 Ascension
 Bermuda
 British Guiana
 British Honduras
 British North Borneo
 Brunei
 Basutoland
 Bechuanaland Protectorate
 British Solomon islands protectorate
 Cyprus
 Channel islands
 Cayman islands
 Cameroons, British sphere of the
 Cook islands
 Fiji
 Falkland islands
 Gold Coast
 Gambia
 Gilbert and Ellice islands
 Isle of Man
 Kenya Colony and Protectorate
 Malay States, Federated
 Malay States, Unfederated—
 Johore
 Kedah
 Kelantan
 Perlis
 Trengganu
 Malta
 Mauritius and dependencies thereof
 Northern Rhodesia
 Nyasaland Protectorate
 Nigeria Colony and Protectorate
 New Guinea
 Norfolk island
 Nauru, Mandated Territory of
 Papua
 St. Helena
 Southern Rhodesia
 Sierra Leone
 Straits Settlements
 Seychelles
 Sarawak
 Somaliland Protectorate
 Swaziland
 Tanganyika Territory
 Togoland, British sphere of
 Tonga or Friendly islands
 Uganda Protectorate
 Western Samoa
 Zanzibar

Any other British Colony or Protectorate or Territory under British Trusteeship, admitted to the benefits of the British preferential tariff

in Canada, in the manner hereinafter provided;

Provided, however, that goods entitled to the benefits of the British preferential tariff shall be accorded such benefits when such goods are shipped on a bill of lading consigned to a consignee in a specified port in Canada when such goods are transferred at a port in a British possession, and conveyed without further transshipment into a sea, lake or river port of Canada;

(b) The rates of customs duties, if any, set forth in column 2, 'Most-Favoured-Nation tariff' shall apply to goods the growth, produce or manufacture of any British or foreign country to which the benefits of such Most-Favoured-Nation tariff shall have been extended in the manner hereinafter provided or to goods the growth, produce or manufacture of any foreign country to which the benefits of the intermediate tariff applied on May 1, 1948, when imported into Canada direct from a country entitled to the benefits of the Most-Favoured-Nation tariff;

(c) The rates of customs duties, if any, set forth in column (3), 'General Tariff', shall apply to all goods not entitled to admission under the Most-Favoured-Nation tariff or under the British preferential tariff, or to goods entitled to rates of customs duties more favourable than those of the British preferential tariff;

(d) Proof of origin, as prescribed by the minister, shall be furnished with the bill of entry at the customhouse for goods admitted to entry under any of the tariffs in schedule A; and the decision of the minister shall be final as to the tariff or surtax applicable in any case to imported goods by reason of their origin;

(e) Goods for which entry is claimed under the Most-Favoured-Nation tariff must be bona fide the growth, produce or manufacture of a country which has been admitted to the benefits of the Most-Favoured-Nation tariff and a substantial portion of the value of each manufactured article must have been produced by the industry of such country,

(f) Every manufactured article to be admitted under the British preferential tariff must be bona fide the manufacture of a British country entitled to the benefits of the British preferential tariff, and a substantial portion of the value of the manufactured article must have been produced by industry in one or more of such countries."

(b) By repealing subsection one of section four and substituting the following:

"4. The governor in council may, by order, from time to time:

(a) Extend the benefit of the British preferential tariff, in whole or in part, to any British colony or any protectorate or territory under British trusteeship not named in paragraph (a) of section three, and from and after the date specified in such order the British preferential tariff shall apply to goods the growth, produce or manufacture of such colony, protectorate or territory, subject to the provisions of this act;

(b) Withdraw the benefit of the British preferential tariff, in whole or in part, from any British country or colony or any protectorate or territory under British trusteeship, which has received the said benefit, and from and after the date specified in such order the most-favoured-nation tariff or the general tariff, as mentioned in the said order, shall apply to goods the growth, produce or manufacture of any such British country, subject to the provisions of this act;

(c) Extend to any British country the benefit of rates of customs duties more favourable than those of the British preferential tariff, and from and after the date specified in such order the rates of duties so ordered shall apply to goods the growth, produce or manufacture of such British country, subject to the provisions of this act;

(d) Withdraw from any British country to which they have been extended rates of customs duties more favourable than those of the British preferential tariff, and from and after the date specified in such order the British preferential tariff, the most-favoured-nation tariff or the general tariff, as directed in the said order, shall apply to goods the growth, produce or manufacture of such British country, subject to the provisions of this act;

(e) Extend the benefit of the most-favoured-nation tariff, in whole or in part, to any British or foreign country, goods the growth, produce or manufacture of which have previously been subject to the rates of customs duties set forth in the general tariff, and from and after the date specified in such order the rates of duty set forth in the most-favoured-nation tariff, so far as they are mentioned in the said order, shall apply to goods the growth, produce or manufacture of such British or foreign country, when imported into Canada direct from a country entitled to the benefits of the most-favoured-nation tariff, subject to the provisions of this act;

(f) Withdraw the benefit of the most-favoured-nation tariff, in whole or in part, from any country to which it has been extended, and from and after the date specified in such order the rates of customs duties set forth in the general tariff shall apply to goods the growth, produce or manufacture of such country, subject to the provisions of this act;

(g) Every order passed under the authority of this section shall be published in the *Canada Gazette*."

(c) By repealing section six and substituting the following:

"6. (1) In the case of goods exported to Canada of a class or kind made or produced in Canada, if the export or actual selling price to an importer in Canada is less than the fair market value or the value for duty of the goods as determined under the provisions of the Customs Act, there shall, in addition to the duties otherwise established, be levied, collected and paid on such goods, on their importation into Canada, a special or dumping duty, equal to the difference between the said selling price of the goods for export and the said value for duty thereof; and such special or dumping duty shall be levied, collected and paid on such goods although not otherwise dutiable.

(2) The special duty imposed by the preceding subsection shall in no case exceed fifty per cent ad valorem and the following goods shall be exempt from such duty:

- (i) Goods of a class subject to duty under the Excise Act;
- (ii) Goods which though of a class or kind made or produced in Canada, are not offered for sale to the ordinary agencies of wholesale or retail distribution or are not offered to all purchasers on equal terms under like conditions, having regard to the custom and usage of trade;
- (iii) Goods or classes of goods declared exempt by any order or regulation made by the governor in council.

(3) Duties and taxes imposed in the country of export shall be disregarded in estimating the value for the purpose of the said duty.

(4) 'Export price' or 'selling price' in this section means the exporter's price for the goods, exclusive of all charges thereon after their shipment from the place whence exported direct to Canada.

(5) If at any time it appears to the satisfaction of the minister that the payment of the special duty by this section provided for is being evaded by the shipment of goods on consignment without sale prior to such shipment, the minister may in any case or class of cases authorize such action as is deemed necessary to collect on such goods or any of them the same special duty as if the goods had been sold to an importer in Canada prior to their shipment to Canada.

(6) If at any time it appears to the satisfaction of the minister that any person owning or controlling or interested in a business in Canada and also in any other country, or any person carrying on a business in any other country and owning or controlling or interested in a business operating in Canada, and by reason thereof is enabled to import goods for further manufacture or assembling or for resale, and while complying with the legal requirements on importation disposes of such imported goods, whether in the form as imported or as further processed, assembled or manufactured, at prices below the duty paid value thereof as entered at customs plus or including all charges upon the goods after shipment from the place whence exported direct to Canada, including sales, distribution and advertising costs, and plus, if any, the cost of processing, assembling or further manufacturing in Canada, the minister may declare that goods of such class or kind were and are on importation subject to an additional special or dumping duty not exceeding fifty per cent, and authorize such action as is deemed necessary for the collection thereof.

(7) If the full amount of any special duty of customs as herein provided has not been paid on goods imported, the customs entry thereof shall be amended and the deficiency paid upon the demand of the collector.

(8) The minister may make such regulations as are deemed necessary for carrying out the provisions of this section and for its enforcement.

(9) For the purpose of this act goods shall not be deemed to be of a class or kind made or produced in Canada unless so made or produced in substantial quantities; and the governor in council may provide that such quantities, to be substantial, shall be sufficient to supply a certain percentage of the normal Canadian consumption and may fix such percentages."

(d) By repealing section eighteen.

2. Resolved, that schedule A to the Customs Tariff be amended by striking thereout tariff items 15, 65a, 82(b), 82(c), 180d, 186, 199g, 208i, 211b, 216d, 232e, 269, 271, 274, 275, 296b, 296e, 326c, 328, 349b, 359, 364, 386(d), 386(p), 392a, 403(a), 410a, 410h, 410m, 410n, 410o, 410o(ii), 410q, 410w, 410y, 412, 413, 427c, 427f, 431c, 431d, 431g, 437, 438b, 438c, 438d, 438e, 439c, 442d, 445m, 445n, 445o, 476, 539, 587, 587b, 657, 682a, 692 and 693(iii), the several enumerations of goods respectively and the several rates of duties of customs, if any, set opposite each of the said items, and by inserting the following items, enumerations and rates of duty in said schedule A:

Tariff Item		Rates in Effect Prior to Rates Proposed in this Budget			
		British Preferential Tariff	Most- Favoured- Nation Tariff	General Tariff	General Tariff
15	(i) Beeswax, unrefined..... (ii) Beeswax, refined but not bleached..... (iii) Beeswax, n.o.p.....	Free Free 15 p.c.	Free 15 p.c. 15 p.c.	Free 20 p.c. 20 p.c.	20 p.c. 20 p.c. 20 p.c.
20b	Illipe butter.....	5 p.c.	10 p.c.	25 p.c.	25 p.c.
65a	Special dietary breads and biscuits under regulations of the Department of National Health.....	Free	7½ p.c.	10 p.c.	10 p.c.
79d	Mulberry trees, cuttings, roots and buds, for seri- cultural purposes.....	Free	Free	30 p.c.	30 p.c.
82	(b) (i) Raspberry, loganberry and blackberry bushes or roots.....each (ii) Rhubarb roots.....each (c) (i) Asparagus roots.....each (ii) Strawberry plants.....each	Free Free Free Free	1 ct. ¾ ct. 1/5 ct. ¾ ct.	1 ct. 1 ct. ¾ ct. ¾ ct.	1 ct. 1 ct. ¾ ct. ¾ ct.
180d	Photographs, paintings, pastels, drawings and other art work and illustrations of all kinds, n.o.p., whether originals, copies or proofs, for reproduc- tion in periodical publications enjoying second- class mailing privileges.....	Free	9 p.c.	25 p.c.	25 p.c.
181b	Paper, in single sheets, containing not less than 144 square inches, not exceeding .012 and not less than .003 of an inch in thickness, specially processed and printed, for use in duplicating machines.....	Free	7½ p.c.	35 p.c.	35 p.c.
186	Paper calendered to between .006 and .008 inch thick- ness adapted for the manufacture of shot shells; and felt board sized and hydraulic pressed, and covered with paper or uncovered, adapted for the manufacture of gun wads.....	Free	Free	Free	Free 22½ p.c.

Provided that goods which are entitled to entry
free of duty or at a lower rate than as indicated in
this item shall not be entered at the rates specified
in this item.

192e	Gasket stock, wholly or in part of vegetable fibres, coated or impregnated, in sheets or rolls, when imported by manufacturers of gaskets, for use only in the manufacture of gaskets in their own factories	Free	Free	Free	Free	Free
192g	Roofing felt, single ply, not coated or impregnated, in rolls containing not less than 500 square feet, when imported by manufacturers of asphalt roofing (including shingles and siding) for use only in the manufacture of such materials in their own factories	Free	7½ p.c.	25 p.c.	15 p.c.	22½ p.c. 35 p.c.
198c	Tape, coated, not exceeding three-eighths of an inch in width, for use exclusively in the recording and reproduction of sound	5 p.c.	10 p.c.	35 p.c.	17½ p.c.	35 p.c.
199g	Duplex backing papers or wrappers including those printed and/or skived for use in the packaging of photographic roll film; inter-leaving and wrapping paper, for packaging flat photographic films and photographic papers; when imported by manufacturers of photographic films and photographic papers for use in their own factories in the packaging of such films and papers	5 p.c.	12½ p.c.	35 p.c.	5 p.c. 15 p.c.	12½ p.c. 22½ p.c. 35 p.c. 25 p.c.
208i	(i) Animal glands and animal glandular organs, and extracts thereof, wet or dry, (whether alcoholic or not), when imported by manufacturers of pharmaceutical or medicinal preparations for use exclusively in the manufacture of such preparations in their own factories	Free	Free	Free	Free	Free
208i	(ii) Animal bile, in liquid or paste form, not further processed than concentrated, for use in the manufacture of bile acids	Free	Free	Free	Free	25 p.c.
211b	Kyanite, crude or calcined, but not further processed than ground	Free	Free	25 p.c.	Free	4½ p.c. 25 p.c.
216d	Phthalic anhydride, adipic, abietic, maleic and succinic acids, hexamethylene diammonium adipate, hexamethylene diammonium sebacate, hexamethylene diamine, caprolactam, and ethylene glycol, when imported by manufacturers of synthetic resins, for use exclusively in the manufacture of synthetic resins, in their own factories	Free	Free	Free	Free Free	Free 15 p.c. 25 p.c.
216e	Materials of a kind not produced in Canada when imported to be used for plasticizing synthetic resins	Free	Free	Free	Free 15 p.c. Free	Free 20 p.c. 25 p.c. 25 p.c.

Tariff Item		Rates in Effect Prior to Rates Proposed in this Budget			
		British Preferential Tariff	Most- Favoured- Nation Tariff	British Preferential Tariff	General Tariff
216f	Materials of a kind not produced in Canada when imported for use only in the manufacture of the goods specified in tariff items 237. (a), (b), (c) and (d), 238a, 238b, 238c, 238d, 238e, 238f and 238g.....	Free	Free	Free 15 p.c. Free 17½ p.c.	Free 25 p.c. 20 p.c. 25 p.c.
219g	Yeast, dead or inactive, containing only those vitamins inherent in or developed by the yeast during its culture or propagation in which the Vitamin D does not exceed 1,000 International units per gram, when valued at more than twenty-five cents per pound, under regulations which the Minister may prescribe.....	Free	Free	15 p.c.	25 p.c.
225a	Ouricury wax.....	Free	Free	5 p.c.	10 p.c.
231d	Synthetic resin glue.....	15 p.c.	17½ p.c.	15 p.c.	25 p.c.
231e	Phenol when imported by manufacturers of synthetic resin glues, for use only in the manufacture of such glues in their own factories.....	Free	Free	Free	Free
232e	Cereal or starch products which require only to be ground in order to form, when mixed with cold water, an adhesive paste..... per pound	3/5 ct.	1¼ cts.	3/5 ct.	2 cts.
236c	Surgical bandages and slabs composed of textile fabrics specially coated with Plaster of Paris compound...	10 p.c.	10 p.c.	25 p.c.	35 p.c. and 4 cts. per pound
246c	Finely divided metals or compounds of metals, whether dry, or suspended or dissolved in a liquid, for use exclusively in the manufacture of glassware and of tableware of china, porcelain or semi-porcelain.....	Free	Free	Free 17½ p.c.	22½ p.c. 30 p.c.
263b	Methyl ethyl ketone, furfural, methyl normal propyl ketone and methyl isobutyl ketone, when imported for use only in the refining of oils.....	Free	Free	Free	25 p.c.

263c	Materials of a kind not produced in Canada for use only as catalysts in the refining of petroleum.....	Free	Free	25 p.c.	Free Free 15 p.c. 10 p.c.	Free 15 p.c. 20 p.c. 10 p.c.	Free 25 p.c. 25 p.c. 25 p.c.
269	Products of petroleum, n.o.p.:— (i) Lighter than .8236 specific gravity (40.3 A.P.I.) at 60 degrees Fahrenheit..per gallon (ii) .8236 specific gravity (40.3 A.P.I.) or heavier at 60 degrees Fahrenheit.....per gallon	$\frac{3}{4}$ ct. $\frac{1}{2}$ ct.	1 ct. $\frac{1}{2}$ ct.	2 cts. 1 ct.	$\frac{3}{4}$ ct. $\frac{1}{2}$ ct.	1 ct. $\frac{1}{2}$ ct.	2 cts. 1 ct.
271	Lubricating oils composed wholly or in part of petroleum:— (a) Valued at less than 25 cents per gallon, per gallon (b) N.o.p.....	1 $\frac{1}{2}$ cts. 10 p.c.	2 $\frac{1}{4}$ cts. 12 $\frac{1}{2}$ p.c.	2 $\frac{1}{2}$ cts. 20 p.c.	1 $\frac{1}{2}$ cts. 12 $\frac{1}{2}$ p.c.	2 $\frac{1}{2}$ cts. 17 $\frac{1}{2}$ p.c.	2 $\frac{1}{2}$ cts. 20 p.c.
274	Petroleum coke, ground or unground.....	Free	Free	Free	Free 15 p.c.	Free 20 p.c.	Free 25 p.c.
275	Liquefied petroleum gases for heating, cooking or illuminating purposes, when imported in containers.	10 p.c.	12 $\frac{1}{2}$ p.c.	25 p.c.	10 p.c.	13 $\frac{1}{2}$ p.c.	25 p.c.
295b	Vermiculite, crude, or not further processed than ground and screened.....	Free	Free	25 p.c.	10 p.c.	10 p.c.	25 p.c.
296b	(i) Magnesite, dead-burned, sintered, caustic calcined or plastic magnesia..... (ii) Magnesium carbonate, basic or otherwise, excepting crude rock.....	15 p.c. 20 p.c.	15 p.c. 20 p.c.	30 p.c. 30 p.c.	15 p.c. 20 p.c. 20 p.c.	15 p.c. 27 $\frac{1}{2}$ p.c. 20 p.c.	30 p.c. 30 p.c. 30 p.c.
296e	Magnesite, calcined, and magnesium carbonate, not further manufactured than ground, when imported by manufacturers of insulating materials for use exclusively in the manufacture of such insulating materials, in their own factories.....	Free	Free	Free	Free 20 p.c.	Free 27 $\frac{1}{2}$ p.c.	Free 30 p.c.
309a	Granules, whether or not coloured or coated, for use in the manufacture of roofing, including shingles and siding.....	Free	Free	25 p.c.	15 p.c.	15 p.c.	25 p.c.
320c	Blanks of uncoloured clear glass, when imported by manufacturers to be used exclusively in the manufacture of silvered mirror reflectors or acid-etched reflectors or refractors, for lighting systems.....	Free	9 p.c.	10 p.c.	Free	9 p.c.	10 p.c.
328	Spectacle and eyeglass frames and parts thereof, n.o.p.....	15 p.c.	17 $\frac{1}{2}$ p.c.	20 p.c.	15 p.c. 15 p.c.	17 $\frac{1}{2}$ p.c. 20 p.c.	20 p.c. 25 p.c.

Tariff Item		Rates in Effect Prior to Rates Proposed in this Budget			
		British Preferential Tariff	Most- Favoured- Nation Tariff	General Tariff	General Tariff
348f	Copper covered steel wire not less than one-quarter inch in diameter and rods, when imported by manufacturers of trolley, telegraph and telephone wires, electric wires and electric cables, for use only in the manufacture of such articles in their own factories...	Free	10 p.c.	10 p.c.	10 p.c.
349b	Alloys of magnesium, viz.: ingots, pigs, sheets, plates, strips, bars, rods and tubes.....	5 p.c.	10 p.c.	25 p.c.	25 p.c.
354c	Aluminum capsules for bottles..... On and after March 31, 1950.....	Free 15 p.c.	7½ p.c. 22½ p.c.	30 p.c. 30 p.c.	30 p.c.
359	Gold and silver, in ingots, blocks, bars, drops, sheets or plates, unmanufactured; gold and silver sweepings; bullion fringe or gold fringe; scrap jewellery, fit only to be remelted, under such regulations as the Minister may prescribe.....	Free	Free	Free	Free 25 p.c.
364	Diamond dust or bort and black diamonds, for borers; diamond dust mixed with a carrier, in cartridges, the component material of chief value being diamond dust.....	Free	Free	Free	Free 27½ p.c.
376b	Materials imported by manufacturers of sintered hard metal compounds of the tungsten carbide type, for use in the manufacture of such compounds in their own factories.....	Free	Free	10 p.c.	10 p.c.
386	(d) Sheets, hoop, band or strip, coated or not, polished or not, when imported by manufacturers of saddlery hardware and saddles for use exclusively in the manufacture of such articles, in their own factories..... (p) Sheets or strip, of iron or steel, hot or cold rolled, with silicon content of .075 per centum or more, when imported by manufacturers of electrical apparatus, for use in the manufacture of electrical apparatus in their own factories.....	Free	Free	Free	Free 20 p.c. 15 p.c. 12½ p.c. 20 p.c.

392a	Forgings of iron or steel, in any degree of manufacture, hollow, machined or not, not less than 12 inches in internal diameter; and all other forgings, solid or otherwise, in any degree of manufacture, rough turned or rough machined or not, of a weight of 20 tons or over.....	Free	15 p.c.	30 p.c.	Free 10 p.c.	15 p.c. 25 p.c.	30 p.c. 35 p.c.
403	Wire, of steel:— (a) Spring, not less than .40 per centum, by weight, of carbon, when imported for use exclusively in the manufacture of springs for mattresses, cushions or upholstery:— (i) .128, .116, .104 and .092 inch in diameter, with a tolerance not to exceed .003 inch..... (ii) .144, .080, .072, .064, .056 and .048 inch in diameter, with a tolerance not to exceed .003 inch.....	Free 5 p.c.	5 p.c. 5 p.c.	7½ p.c. 7½ p.c.	Free 15 p.c.	5 p.c. 15 p.c.	7½ p.c. 20 p.c.
409q	Auxiliary internal combustion engines incorporated in or attached to agricultural implements or agricultural machinery.....	Free	Free	Free	15 p.c.	20 p.c.	30 p.c.
409r	Milk evaporators for dairying purposes and complete parts thereof.....	Free	10 p.c.	25 p.c.	10 p.c.	25 p.c.	35 p.c.
410a	(i) Loading machines; shaker trough, belt trough, chain or elevating conveyors; air engines; flame-proof enclosed driving motors; of a class or kind not made in Canada, and parts of all motive power or machinery mentioned in this item, for use exclusively in mining operations..... (ii) Trucks or tractors, self-propelled, mounted on wheels or on endless tracks, including motive power, when of a class or kind not made in Canada, for use exclusively underground in mining operations; parts of the foregoing..... (iii) Diesel-powered self-propelled trucks, mounted on rubber-tired wheels, side or rear dump, having a rated capacity, by struck volume, of not less than 9½ cubic yards and, by payload weight, of not less than 15 tons, and complete parts thereof, for off-highway use in carrying minerals, ores, rock, stone, sand, gravel and other excavated materials in open-pit mines, quarries, gravel and sand pits or at construction sites.....	Free Free	Free Free	35 p.c. 27½ p.c.	Free 10 p.c. Free 15 p.c. 15 p.c.	10 p.c. 25 p.c. 10 p.c. 22½ p.c. 22½ p.c.	12½ p.c. 35 p.c. 35 p.c. 30 p.c. 37½ p.c.
		Free	10 p.c.	27½ p.c.	Free 15 p.c. 15 p.c.	17½ p.c. 22½ p.c. 22½ p.c.	27½ p.c. 30 p.c. 37½ p.c.
		Free	10 p.c.	27½ p.c.	Free	17½ p.c.	27½ p.c.

Tariff Item		Rates in Effect Prior to Rates Proposed in this Budget			
		British Preferential Tariff	Most- Favoured- Nation Tariff	General Tariff	
410h	Equipment and integral parts thereof for distributing stone dust in mines.....	Free	Free	10 p.c.	Free
410m	Diamond drills and core drills, not including motive power, electrically operated rotary coal drills, and coal cutting machines, of a class or kind not made in Canada, and parts of the foregoing, for use exclusively in mining operations.....	Free	Free	Free	Free 10 p.c.
410n	Diamond drills and core drills, not including motive power, and electrically operated rotary coal drills, n.o.p., and parts of the foregoing, for use exclusively in mining operations.....	Free	10 p.c.	10 p.c.	10 p.c.
410o	(i) Coal heading machines; electric or magnetic machines for concentrating or separating iron ores; automatic scales for use with conveyors; and integral parts of all the foregoing, for use exclusively in mining or metallurgical operations..... (ii) Chock release apparatus, for use in coal mines to facilitate the safe removal of chocks forming the roof support.....	Free	Free	Free	Free
410q	Pumps and vacuum pumps, and complete parts thereof, for use exclusively in the extraction of precious metals by the chlorination or cyanide processes...	15 p.c.	15 p.c.	20 p.c.	10 p.c. 20 p.c.
410w	Machinery, n.o.p., for the concentration or separation of ores, metals or minerals, viz.: flotation machines, flotation cells, oil feeders and reagent feeders for flotation machines and flotation cells, pumps, vibrating and impact screens, jigs, magnetic separators, magnetic pulleys and filters, for use in the concentration or separation of ores, metals or minerals, and integral parts of all the foregoing.....	5 p.c.	7½ p.c.	20 p.c.	17½ p.c. 20 p.c.
410y	Heavy duty mine hoists, of a size and capacity not made in Canada.....	Free	Free	10 p.c.	5 p.c. 10 p.c.

Tariff Item		British Preferential Tariff	Most-Favoured-Nation Tariff	General Tariff	Rates in Effect Prior to Rates Proposed in this Budget		
					British Preferential Tariff	Most-Favoured-Nation Tariff	General Tariff
431c — <i>Con.</i>	verniers, gauges, gauge blocks, parallels, buttons, mercury plumb bobs, dividers, trammels, scribes, automatic center punches, hand speed indicators, straight edges, key seat clamps and other clamps and vises used by toolmakers for precision work, precision tools and measuring instruments, n.o.p.; parts of all the foregoing, finished or not.....	Free	9 p.c.	10 p.c.	Free	10 p.c. (9 p.c. on some)	10 p.c.
431d	Engineers', surveyors' and draftsmen's precision instruments and apparatus, viz.:—Alidades; altazimuth surveying instruments; aneroid barometers; engineering, military and surveying; angle prisms; boards, military sketching; box sextants, clinometers; compasses; cross staff heads; curves, adjustable, irregular, railroad and ship; curvimeters; drafting instruments of all kinds, including fitted cases containing the same; dipping needles; drafting machines; heliographs; integrators; levels, tripod and hand or pocket types; levelling rods; liners, section; meters, portable for hydraulic engineering; pantographs; planimeters; protractors; parallel rulers; parallel ruling attachments; poles, ranging; pedometers and paccometers; plane tables, military and topographic; scales, flat and triangular; slide rules; splines; straight edges, steel and wooden; tachometers; tallying machines, pocket; tee squares, steel and wooden; telemeters; theodolites; transits, tripod and hand or pocket types; triangles of all types; tripods for use with any of the foregoing instruments; parts of all the foregoing, finished or not.....	Free	9 p.c.	10 p.c.	Free	10 p.c. (9 p.c. on some)	10 p.c.
431g	Fixed or stationary meters, of a size or capacity not made in Canada, for hydraulic engineering; gauges, indicators and recorders for water or other liquid levels, volume or flow, of a class or kind not made in Canada.....	Free	17½ p.c.	20 p.c.	Free	20 p.c. (18 p.c. on some)	35 p.c.

431h	Geophysical surveying precision instruments and equipment for use exclusively in prospecting for, or in the exploration and development of, petroleum, natural gas, water wells and minerals, or for geophysical studies for engineering projects, including the following: magnetometers; gravity meters and other instruments designed to measure the elements, variations and distortions of the natural gravitational force; field potentiometers, meggers, non-polarizing electrodes, and electrical equipment for making measurements in drill holes; instruments and equipment for seismic prospecting; geiger muller counters and other instruments for radioactive methods of geophysical prospecting; electrical and electronic amplifying devices and electrical thermostats designed to be used with any of the foregoing; all the foregoing of a class or kind not made in Canada, and repair parts, tripods and fitted carrying cases for any of the foregoing.....	Free	Free	30 p c.	2½ p.c. Free 15 p.c. Free Free	15 p.c. 15 p.c. 22½ p.c. 10 p.c. Free	30 p.c. 30 p.c. 30 p.c. 15 p.c. Free
437	Locomotives, cars and coaches and repair equipment, belonging to railroads, brought temporarily into Canada for the purpose of clearing obstructions, fighting fires or making emergency repairs on railway lines within Canada; detector cars when imported to test rail in tracks in Canada.....	.....	Free	Free	.....	Free 20 p.c.	Free 35 p.c.
438b	Bearings, clutch release; bearings graphite; bearings steel or bronze backed, with non-ferrous metal lining; bearings, steering knuckle thrust; bushings, graphited or oil impregnated; ceramic insulator spark plug cores, not further manufactured than burned and glazed, printed or decorated or not, without fittings; collars, crankshaft thrust; commutators, air; commutator copper segments; commutator insulating end rings; tapered discs of hot rolled steel, with or without centre hole, for disc wheels; distributor rotors and cam assemblies; door bumper shoes; electric wiring terminals, sockets, fittings and connectors and parts and combinations thereof, not to include battery terminals; gaskets of any material except cork or felt, composite or not, parts and materials thereof; ignition contact points; keys for shafting; auxiliary driving control kits, designed for attachment to motor vehicles to facilitate their operation by physically disabled persons and parts thereof; lenses of glass	.....	Free	Free	.....	.....	.....

Tariff Item		British Preferential Tariff	Most-Favoured-Nation Tariff	General Tariff	Rates in Effect Prior to Rates Proposed in this Budget		
					British Preferential Tariff	Most-Favoured-Nation Tariff	General Tariff
438b — <i>Con.</i>	for motor vehicle lamps and for light reflectors; lock washers; magnetic plugs; piston ring castings in the rough, with or without gates and fins removed; propeller shaft tubes of steel bonded by rubber; rails of lock seam section, corners, locks and catches, unplated ventilators and parts thereof, the foregoing being of metal other than aluminum, for the manufacture of window sashes for bus bodies; steel bolts, studs, plugs, rivets or nuts, capped with stainless steel, and parts thereof; switches, relays, circuit breakers and solenoids and combinations and parts thereof; vacuum control assemblies and parts thereof; vulcanized fibre in sheets, rods, strips and tubings; all of the foregoing when of a class or kind not made in Canada and for use in the manufacture or the repair of the goods enumerated in tariff items 424 and 438a, or for use in the manufacture of parts thereof.....	Free	Free	30 p.c.	Free 10 p.c.	Free 25 p.c.	30 p.c. 35 p.c.
438c	Ammeters; arm rests and wheel housing lining of indurated fibre, pressed to shape; axle housings, one piece welded, machined or not, including parts welded thereto; carburetors; chassis frames and steel shapes for the manufacture thereof; cigar and cigarette lighters, whether in combination with a cigarette holder or not, including base; control ventilator gear box; cylinder lock barrels, with or without sleeves and keys thereof; dash heat indicators; engine speed governor units; external ornaments unplated, not including finish or decorative moulding; fluid couplings, with or without drive plate assemblies; front axle cross channel king pin support section assembly of steel, in the rough; fuel pumps, vacuum pumps and combinations thereof; gasoline gauges; grilles not plated, polished or not before assembly, and parts thereof not plated or polished, not to include added finish or decorative moulding; hinges, finished or not, for bodies; horns; instrument bezel assemblies; instrument board lamps; instrument panel, glove compartment,						

luggage compartment, hood compartment and door step lamps and wire assemblies; locks, electric ignition, steering gear, transmission, or combinations of such locks; mouldings of metal, with nails set in position, lead filled or not; oil filters; oil gauges; pipe lines of tubing, rigid or flexible, covered or not, with or without fittings and tubing therefore for oil, fuel, air, or liquid for actuating hydraulic brakes; purifiers for air; purifiers for oil or gasoline; radiator shutter assemblies, automatic; radiator water gauges; radiator shells not plated nor metal finished in any degree; shackles, bearing spring; speedometers; spring covers of metal and closing strips or shapes therefor; stampings, body, cowl, fender, hood, instrument board, of metal in the rough, trimmed or not, but not metal finished in any degree; starter switch assemblies; steering wheels, rims and spiders therefor; sun visor blanks of gypsum weatherboard; thermostatic controls; throttle, spark, choke, and hood lock release assemblies, including buttons therefor; tire clamping rings of steel, plated or not; universal joint ball assemblies; voltage control regulators; windshield and window wipers; parts of all the foregoing; all of the foregoing when of a class or kind not made in Canada and for use in the manufacture or repair of the goods enumerated in tariff items 410a (iii), 424 and 438a or for use in the manufacture of parts therefor.

(1) Provided, that if the above articles are imported for use as original equipment by a manufacturer of automobiles, motor vehicles, electric trackless trolley buses or chassis enumerated in tariff items 438a, 424 and 410a (iii) whose total factory output during the year in which importation is sought does not exceed ten thousand complete automobiles, motor vehicles, electric trackless trolley buses or chassis, and provided that not less than forty per centum of the factory cost of production of such automobiles, motor vehicles, electric trackless trolley buses or chassis, not to include duties and taxes, is incurred in the British Empire, the rates of duty under this item shall be.....

(2) Provided, that if the above articles are imported for use as original equipment by a manufacturer of automobiles, motor vehicles, electric trackless trolley buses or chassis enumerated in tariff items 438a, 424 and 410a (iii) whose total factory output during the year in which importations is

Free	20 p.c.	30 p.c.	Free Various	20 p.c. Various	30 p.c. Various
Free	Free	25 p.c.	Free	Free	25 p.c.

Parts, n.o.p., for automobiles, motor vehicles, electric trackless trolley buses or chassis enumerated in tariff items 438a and 424, not to include wireless receiving sets, die castings of zinc, electric storage batteries, parts of wood, tires and tubes or parts of which the component material of chief value is rubber:—

(1) Brake linings, and clutch facings whether or not including metallic wires or threads:—
(a) When made from crude asbestos of British Commonwealth origin.....
(b) When made from crude asbestos, n.o.p.....

(2) Automobile and motor vehicle engines, stripped, n.o.p., and complete parts thereof, n.o.p.....

(3) Parts, n.o.p., electro-plated or not, whether finished or not.....

Provided, that parts in chief value of iron or steel which were classified for duty purposes under tariff items 427 or 446a, as of January 1, 1936, shall be dutiable at.....

(4) Parts, n.o.p., of brass or copper, whether finished or not.....

Farm wagons, including four-wheeled farm wagons equipped to be tractor-drawn; farm sleds; logging wagons; logging sleds; and complete parts of all the foregoing.....

Materials, including all parts, wholly or in chief part of metal, of a class or kind not made in Canada, when imported by manufacturers of goods entitled to entry under tariff items 410g, 410l, 410n, 410o, 410p, 410q, 410u, 410w, 410z, 411, 411a, 411b, 427b, 427c, 427f, 428c, 428e, 440k, and 447a, for use in the manufacture of such goods in their own factories, under such regulations as the Minister may prescribe.....

Provided that materials and parts which are entitled to free entry or to a lower rate of duty than is specified in this item shall not be dutiable under this item.

Provided that materials and parts which are entitled to free entry or to a lower rate of duty than is specified in this item shall not be dutiable under this item.

Tariff Item		Rates in Effect Prior to Rates Proposed in this Budget			
		British Preferential Tariff	Most- Favoured- Nation Tariff	General Tariff	British Preferential Tariff
445m	(i) Flameproof electric switchgear, for use underground in coal mines, and complete parts thereof (ii) Flameproof electric transformers, rectifiers, cable-connecting devices, trailing cable extensions with couplers moulded on, junction boxes, and complete parts of the foregoing, when of a class or kind not made in Canada and for use underground in coal mines.....	Free	20 p.c.	30 p.c.	Free
445n	Electrical instruments and apparatus of precision of a class or kind not made in Canada, viz.:—Meters or gauges for indicating and/or recording altitude, amperes, comparisons, capacity, density, depth, distance, electrolysis, flux, force, frequency, humidity, inductance, liquid levels, ohms, operation, power factor, pressure, space, speed, stress, thrust, synchronism, temperature, time, volts, volume, watts, weight; complete parts thereof....	Free	10 p.c.	37½ p.c.	15 p.c. 15 p.c.
445o	(i) Acid-free capacitor tissue and paper, plain and gummed; metal cans, extruded, plated or unplated; automatic record changers; parts for pickups; bias cells and holders; frames, yokes, brackets, pole-pieces, gaskets and field covers, separate or assembled for use in speakers with mounting diameter not exceeding 6½ inches; cones, spiders, spiders suspensions, voice coils and voice coil dust covers, separate or assembled; magnetic structures and parts thereof for permanent magnet speakers; glass dial crystals and scales and metal dials or scales made by the silk-screen process; metal cabinet escutcheons without crystals, plain or finished; high frequency circuit switches and essential components thereof; high frequency iron cores with or without inserts moulded therein; motors and gears for automatic tuning; radio frequency ceramics; raw low loss mica; sheets and punchings of low loss mica; tube shields and parts thereof; vibrators; vulcanized fibre in sheets, rods, strips or tubing; high frequency coil forms and tubing having an outside diameter not	Free	15 p.c.	30 p.c.	Free 10 p.c.
					20 p.c. 22½ p.c.
					15 p.c. 20 p.c.
					30 p.c. 35 p.c.

445o — <i>Con.</i>	exceeding one inch; for use in the manufacture or the repairs of the goods enumerated in tariff items 445d, 597a, and other apparatus using radio tubes, or for use in the manufacture of parts therefor.....	Free	Free	30 p.c.	Free Free	Free	30 p.c.
	(ii) Metal powders; etched aluminum foil; alloy resistance wire having a diameter of less than .005 inch; spring-drive motors for record turn-tables; automatic record-centering mechanisms with tone arm, not including motors or turntables; metal cabinet escutcheons with crystals, plain or finished; when of a class or kind not made in Canada and for use in the manufacture or the repair of the goods enumerated in tariff items 445d, 597a, and other apparatus using radio tubes, or for use in the manufacture of parts therefor.....	Free	Free	30 p.c.	10 p.c. Free Free 10 p.c. 15 p.c.	20 p.c. 30 p.c. 20 p.c. 25 p.c. 20 p.c.	35 p.c. 30 p.c. 30 p.c. 35 p.c. 30 p.c.
476	(iii) Materials and parts, not including motors, for use by manufacturers of apparatus using radio tubes, or of parts therefor, in the manufacture, in their own factories, of the goods enumerated in tariff items 445o (i) and 445o (ii).....	Free	Free	30 p.c.	Various	Various	Various
	Surgical and dental instruments of any material; surgical needles; clinical thermometers and cases therefor; X-ray apparatus; microscopes valued at not less than fifty dollars each, retail; complete parts of all the foregoing.....	Free	Free	Free	Free 20 p.c. 15 p.c. 12½ p.c. 15 p.c.	Free 25 p.c. 22½ p.c. 22½ p.c. 20 p.c.	Free 35 p.c. 45 p.c. 40 p.c. 25 p.c.
480a	Invalid wheel chairs, with or without motive power, and parts thereof.....	Free	10 p.c.	15 p.c.	Free Free	10 p.c. 17½ p.c.	15 p.c. 27½ p.c.
499a	Walnut shell flour, wood flour, and bark flour.....	Free	5 p.c.	20 p.c.	15 p.c.	20 p.c.	25 p.c.
504a	Ponderosa pine lumber (pinus ponderosa) and California sugar pine lumber (pinus Lambertiana), not further manufactured than planed, dressed, or jointed.....	Free	Free	Free	Free	Free	Free
523n	Seamless cotton bags..... and, per pound	15 p.c.	22½ p.c.	25 p.c. 4 cts.	15 p.c.	22½ p.c.	25 p.c. 4 cts.

Tariff Item		Rates in Effect Prior to Rates Proposed in this Budget			
		British Preferential Tariff	Most- Favoured- Nation Tariff	British Preferential Tariff	Most- Favoured- Nation Tariff
	—				
539	Cordage, exceeding one inch in circumference, wholly of vegetable fibres, n.o.p. On and after July 31, 1949.	7½ p.c. 17½ p.c.	12½ p.c. 22½ p.c.	25 p.c. 25 p.c.	25 p.c.
535a	Tall oil, tall oil pitch and blended tall oil and tall oil pitch.	Free	Free	Free	25 p.c.
587	Coke, n.o.p.	Free	Free	Free	\$1.00 per ton
654a	Pins or pegs of synthetic resin used as bristles in the manufacture of brushes.	Free	5 p.c.	20 p.c.	25 p.c.
657	Mouthpieces in the rough, screws, aluminum pipe fittings, pipe bowls moulded from briarwood dust, bowls of wood not further processed than frazed, corn cobs and corn cob bowls not further processed than shaped, when imported by manufacturers of tobacco pipes for use in the manufacture of such pipes, in their own factories.	Free	Free	25 p.c.	25 p.c. 25 p.c.
682a	Net floats of any material except wood, for use exclusively in commercial fishing.	Free	Free	Free	Free 25 p.c.
692	Collections of coins and/or medals; postage stamps; medals of metal and other metallic articles, which have been bestowed as trophies or prizes and received and accepted as honorary distinctions, or which have been donated by persons or organizations abroad for such purposes; trophy cups of metal and other metallic prizes (not usual merchantable commodities) won abroad in bona fide competitions, or donated by persons or organizations abroad for such purposes in Canada. The foregoing not to include medals, trophies or prizes which are regularly presented by organizations or business companies to their members, employees or representatives.	Free	Free	Free	Free Various

693	(iii) Antiquities (other than spirits or wines) produced prior to January 1, 1847, under such regulations, including proof of antiquity, as may be prescribed by the Minister..... Provided that, notwithstanding anything to the contrary in this Act or in any other law or regulation relating to Customs, antiquities as described in part (iii) of this item shall, for entry thereunder, be relieved from the requirements as to origin or British Empire content.	Free	Free	Free	Free	Free
696b	Films produced by or issued under the authority of government tourist bureaux, railway authorities, airway authorities or steamship companies; subject to such regulations as the Minister may prescribe	Free	Free	Free	Free	Free
696c	Phonograph records for bona fide libraries, and being the property of the organized authorities of such libraries and not in any case the property of individuals or business concerns, under such regulations as the Minister may prescribe.....	Free	Free	Free	Free	Free
848	All machinery and apparatus and parts thereof (including motive power) and drilling mud, for use exclusively in exploratory or discovery work in connection with, and development, depletion and production of petroleum or natural gas wells; seamless, lapwelded and electric welded iron or steel casing, tubing and drill pipe for use in connection with natural gas or oil wells.....	Free	Free	Free	Free	Free

523e	Woven fabrics wholly of cotton with cut pile, n.o.p.... and, per pound On and after July 1, 1949.....	Free 15 p.c.	10 p.c. 3½ cts. 25 p.c. 3½ cts.	32½ p.c. 4 cts. 32½ p.c. 4 cts.	15 p.c.	25 p.c. 3½ cts.	32½ p.c. 4 cts.
523j	Shadow cretonnes, wholly of cotton, with printed warp and plain weft..... On and after July 1, 1949.....	Free 10 p.c.	15 p.c. 3½ cts. 25 p.c. 3½ cts.	32½ p.c. 4 cts. 32½ p.c. 4 cts.	10 p.c.	25 p.c. 3½ cts.	32½ p.c. 4 cts.
523k	Gabardines, wholly of cotton, with not less than 280 ends and picks of ply yarn per square inch..... On and after July 1, 1949.....	Free 10 p.c.	15 p.c. 3½ cts. 25 p.c. 3½ cts.	32½ p.c. 4 cts. 32½ p.c. 4 cts.	10 p.c.	25 p.c. 3½ cts.	32½ p.c. 4 cts.
523l	Woven fabrics, wholly of cotton, composed of yarns. of counts of not less than 80 and not more than 99, including all such fabrics in which the average count of the warp and weft yarns is not less than 80 and not more than 99..... On and after July 1, 1949.....	Free 12½ p.c.	7½ p.c. 3 cts. 20 p.c. 3 cts.	32½ p.c. 4 cts. 32½ p.c. 4 cts.	12½ p.c.	20 p.c. 3 cts.	32½ p.c. 4 cts.
524a	Fabrics with cut weft pile, wholly of cotton or of cotton and synthetic textile fibres or filaments.... and, per pound On and after July 1, 1949.....	Free 5 p.c.	20 p.c. 3½ cts. 25 p.c. 3½ cts.	32½ p.c. 4 cts. 32½ p.c. 4 cts.	5 p.c.	25 p.c. 3½ cts.	32½ p.c. 4 cts.
532b	Woven fabric, wholly of cotton, for covering books.... and, per pound On and after July 1, 1949.....	Free 15 p.c.	12½ p.c. 27½ p.c.	35 p.c. 4 cts. 35 p.c. 4 cts.	15 p.c.	27½ p.c.	35 p.c. 4 cts.
561	Woven fabrics wholly or in part of synthetic textile fibres or filaments, not to contain wool, not includ- ing fabrics in chief part by weight of silk, n.o.p.... and, per pound On and after July 1, 1949.....	Free 22½ p.c.	5 p.c. 40 cts. 27½ p.c. 40 cts.	45 p.c. 40 cts. 45 p.c. 40 cts.	22½ p.c.	27½ p.c. 40 cts.	45 p.c. 40 cts.

4. Resolved, that any enactment founded upon the foregoing resolutions to amend the Customs tariff or schedules thereto shall be deemed to have come into force on the nineteenth day of May, one thousand nine hundred and forty-eight, and to have applied to all goods mentioned in the foregoing resolutions imported or taken out of warehouse for consumption on and after that date, and to have applied to goods previously imported for which no entry for consumption was made before that date.

APPENDIX
TO
THE BUDGET, 1948-49

Budget Papers presented by the
Honourable D. C. Abbott, M.P., for the
information of Parliament on the occasion of the
Budget of 1948-49

FOREWORD

The purpose of this Appendix is twofold:

- (1) to make available in one place and in convenient form, as a supplement to the Budget, some of the more comprehensive economic statistics prepared by the Dominion Bureau of Statistics and other Government agencies;
- (2) to present a preliminary review of the Government accounts for the fiscal year which ended on March 31, 1948.

PART I

TABLES OF ECONOMIC STATISTICS

Some of these tables were originally published elsewhere; others appear for the first time in this Appendix. They were selected or designed to provide a broad factual background to assist in the analysis of the Budget accounts and proposals from an economic point of view. Each is prefaced by a short comment.

The first group of tables (Numbers 1 to 15) relates to what are usually referred to as the NATIONAL ACCOUNTS (not to be confused with the Public or Government Accounts). The nature and source of these statistics are described more fully on pages 939 to 946 of the Canada Year Book for 1947. Broadly speaking, they attempt to display and analyse the income, production and expenditure in *dollar terms* of the Canadian people as a whole for the calendar years 1939 (largely a pre-war year), 1944 (when Canada's war effort was at its peak), 1946 and 1947. Estimates for 1947 are preliminary.

Beginning with a comprehensive statement showing estimated National Income and Expenditure, the tables proceed to break down the global figures into various segments to illustrate the changing pattern of income and expenditure and to show the relationship between Government Accounts and the National Accounts.

Then follows an analysis of Canada's balance of international payments and foreign exchange reserves.

Finally, a group of tables is presented relating to employment, production, prices and money supply.

NOTE: In preparing estimates of the National Accounts for this Appendix the Dominion Bureau of Statistics has made a number of revisions on the basis of later information in the figures for 1946 and 1947 already published. These revised figures will also appear in the next issue of the Canadian Statistical Review.

NATIONAL INCOME AND EXPENDITURE

It is estimated that during 1947 the Canadian people produced goods and services valued at \$13·2 billion, exceeding the previous year by 13%. Most of the increase was accounted for by higher prices and the remainder by greater physical output. After deducting the indirect taxes included in the prices of goods and services and business costs such as depreciation, the net income accruing to Canadians during 1947 is estimated at \$10·8 billion, two and a half times as much in dollar terms as in 1939. All types of incomes shared in these increases.

TABLE 1
NATIONAL INCOME AND GROSS NATIONAL PRODUCT

	1939	1944	1946	Prelim. 1947
(MILLIONS OF DOLLARS)				
1. Salaries, wages and supplementary labour income..	2,565	4,869	5,195	6,111
2. Military pay and allowances.....	32	1,068	340	83
3. Investment income.....	776	1,755	1,950	2,318
4. Net income of agriculture and other unincorporated business.....	901	1,904	2,065	2,308
5. NATIONAL INCOME (1+2+3+4).....	4,274	9,596	9,550	10,820
6. Indirect taxes less subsidies.....	726	1,123	1,261	1,571
7. Depreciation allowances and similar business costs.	582	881	839	906
8. Residual error of estimate.....	-1	+220	-37	-132
9. Gross National Product at Market Prices (5+6+7+8).....	5,581	11,820	11,613	13,165

Shown below are the ways in which the annual output of the nation was utilized. During 1947 government expenditure on goods and services continued to decline in both relative and absolute terms but this decline was more than offset by increased private spending on investment and consumption. Last year spending by federal, provincial and municipal governments absorbed less, by value, of the goods and services produced by Canadians than in any year since 1940 and proportionately even less of total output than in 1939. The demands upon output represented by investment in Canada in plant, equipment, housing and inventories rose sharply from \$1.7 billion in 1946 to \$2.8 billion in 1947, an increase of more than 65%. Personal expenditure rose by more than a billion dollars from 1946 to 1947.

TABLE 2
GROSS NATIONAL EXPENDITURE

	1939	1944	1946	Prelim. 1947
(MILLIONS OF DOLLARS)				
1. Personal expenditure on consumer goods and services.....	3,828	6,253	7,712	8,736
2. Government expenditure on goods and services (a) excluding mutual aid, UNRRA and military relief.....	749	4,127	1,732	1,454
(b) mutual aid, UNRRA and military relief.....		960	97	38
3. Gross home investment— (a) plant, equipment and housing.....	554	756	1,321	2,042
(b) inventories.....	329	-83	387	780
4. Export of goods and services (1) (excluding mutual aid, etc.).....	1,449	3,566	3,197	3,581
5. Imports of goods and services(1).....	-1,328	-3,539	-2,871	-3,599
6. Residual error of estimate.....		-220	+38	+133
7. Gross National Expenditure at Market Prices (1+2+3+4+5+6).....	5,581	11,820	11,613	13,165

(1) Minor adjustments have been made to the figures of current receipts and payments shown on page 21 of "The Canadian Balance of International Payments", 1948, Dominion Bureau of Statistics, to achieve consistency with the other component series. (See also Table 13).

PERSONAL INCOME AND ITS DISPOSITION

Personal income rose by \$645 million or 7% from 1946 to 1947, a considerably higher percentage increase in wages, salaries, farm incomes and other forms of personal earnings being offset by sharp reductions in military pay and allowances and veterans' benefits. Transfer payments to persons by all governments, such as family allowances, old age pensions, veterans' benefits and unemployment payments, formed about 8% of personal income during 1947 as against about 6% in 1939, despite the decline in non-recurring payments to veterans which were at their peak in 1946.

TABLE 3
SOURCES OF PERSONAL INCOME

	1939	1944	1946	Prelim. 1947
(MILLIONS OF DOLLARS)				
1. Salaries, wages and supplementary labour income..	2,565	4,869	5,195	6,111
Deduct: Employer and employee contribution to social ins. and govt. pension funds....	-35	-134	-145	-165
2. Military pay and allowances.....	32	1,068	340	83
3. Net income of agriculture and other unincorporated business.....	901	1,904	2,065	2,308
4. Interest, dividends and net rental income of persons.	564	783	877	937
5. Transfer payments to persons (excluding interest)				
(a) from government.....	250	264	1,123	826
(b) charitable contributions made by corpora- tions.....	6	11	10	10
6. Personal Income (1+2+3+4+5).....	4,283	8,765	9,465	10,110

Whereas personal income increased by \$645 million from 1946 to 1947, direct taxes fell by \$10 million, leaving an additional \$655 million for spending or saving. In fact, personal expenditure on goods and services rose by \$1,024 million, reflecting the increased availability of durables like automobiles and household appliances as well as higher prices. Accordingly, personal saving out of the year's income declined by \$369 million between 1946 and 1947.

TABLE 4
DISPOSITION OF PERSONAL INCOME

	1939	1944	1946	Prelim. 1947
(MILLIONS OF DOLLARS)				
1. Personal direct taxes ⁽¹⁾				
(a) income taxes.....	61	771	711	694
(b) succession duties.....	28	40	54	61
(c) miscellaneous.....	32	25	31	31
Total direct taxes.....	121	836	796	786
2. Personal expenditure on consumer goods and services—				
(a) goods.....	2,477	4,309	5,518	6,371
(b) services.....	1,407	1,895	2,200	2,395
(c) net expenditure abroad.....	-56	49	-6	-30
Total personal expenditure.....	3,828	6,253	7,712	8,736
3. Personal saving—				
(a) personal saving excluding farm inventories...	274	1,800	998	688
(b) net changes in farm inventories.....	60	-124	-41	-100
Total personal saving.....	334	1,676	957	588
4. Personal Income (1+2+3).....	4,283	8,765	9,465	10,110

⁽¹⁾ Tax collections excluding \$76 million estimated refundable income and excess profits tax in 1944.

During 1939 Canadians saved 8% of the personal incomes at their disposal after payment of direct taxes. In response to the appeal for savings and the shortage of consumer goods, this ratio rose steadily during the war years, being estimated at 21% in 1944. The tendency to save rather than to spend was still above pre-war levels in 1946, but in 1947 the savings ratio returned to approximately 1939 levels.

TABLE 5
PERSONAL SAVING AND SPENDING

—	1939		1944		1946		Preliminary 1947	
	\$ millions	%	\$ millions	%	\$ millions	%	\$ millions	%
Personal consumer expenditure.....	3,828	92	6,253	79	7,712	89	8,736	94
Personal Saving.....	334	8	1,676	21	957	11	588	6
Personal disposable income ⁽¹⁾	4,162	100	7,929	100	8,669	100	9,324	100

(1) Personal income less personal direct taxes (See Table 4).

Per capita income at the disposal of individual Canadians, obtained by subtracting from total personal incomes the direct taxes paid by individuals and dividing the remainder by the total Canadian population, was \$369 in 1939, \$662 in 1944, \$704 in 1946 and \$741 in 1947.

TABLE 6
PERSONAL DISPOSABLE INCOME PER CAPITA

—	1939	1944	1946	Preliminary 1947
Population..... (thousands)	11,267	11,975	12,307	12,582
Personal Income..... per capita	\$ 380	732	769	804
Deduct Personal Direct Taxes..... per capita	\$ 11	70	65	63
Personal Disposable Income..... per capita	\$ 369	662	704	741

ANALYSIS OF CORPORATION PROFITS

Corporation profits, both before and after tax, were at record levels during 1947. Dividends paid out did not keep pace with the increase in profits after tax, so that undistributed profits set aside during the year rose from \$411 million in 1946 to \$609 million in 1947, or by nearly 50%.

TABLE 7
CORPORATION PROFITS

	1939	1944	1946	Prelim. 1947
		(MILLIONS OF DOLLARS)		
Corporate profits before taxes (1).....	598	1,221	1,421	1,821
Deduct corporate taxes(2).....	-112	-603	-670	-804
Corporate profits after taxes.....	486	618	751	1,017
Deduct dividends paid out(3).....	-287	-284	-340	-408
Undistributed corporate profits (4).....	199	334	411	609

(1) Includes depletion charges and is adjusted for corporate losses, renegotiation of war contracts and conversion to a calendar year basis.

(2) Taxes paid or payable in respect of the calendar year's income, excluding the refundable portion of the excess profit tax. (See Table 10).

(3) Includes charitable contributions made by corporations. (See Table 3, Item 5 (b)).

(4) (See Table 11).

THE PATTERN OF INVESTMENT

Investment in plant, equipment, inventories and housing absorbed 21% of the gross national product during 1947 as against 15% in 1946 and 16% in 1939.

TABLE 8
GROSS HOME INVESTMENT

	1939	1944	1946	Prelim. 1947
		(MILLIONS OF DOLLARS)		
Plant, Equipment, and Housing—Total(1).....	554	756	1,321	2,042
New Residential Construction(2).....	145	157	338	466
Other New Construction.....	126	189	349	556
New Machinery and Equipment.....	283	410	634	1,020
Inventories—Total.....	329	-83	387	780
Grain in Commercial Channels (3).....	127	-14	-46	22
Farm Grain and Livestock(3).....	60	-124	-41	-100
All Other Inventories(4).....	142	55	474	858
Gross Home Investment (5).....	883	673	1,708	2,822
Percentage of Gross National Product.....	16%	6%	15%	21%

(1) Includes private businesses and institutions, and publicly owned public utilities.

(2) Excludes construction by Wartime Housing Limited which is included with Government expenditure on goods and services (Table 2).

(3) Value of physical change.

(4) Change in value. Includes privately financed industrial and trade inventories.

(5) See Table 2, Item 3.

GOVERNMENT TRANSACTIONS RELATED TO THE NATIONAL ACCOUNTS

In the table on the next two pages (No. 10) an attempt is made to bring together in one statement and under uniform headings the transactions of all governments in Canada on a *calendar year basis*. (See explanatory note below table).

Using the statistical methods appropriate to the calculation of the National Income and Expenditure (which differ somewhat from the accounting methods used by governments) it is estimated that during the *calendar year* 1947 federal, provincial and municipal governments took in as revenue \$4,058 million and spent \$3,141 million, leaving an overall surplus of \$917 million of which \$774 million was attributable to the federal government and \$143 million to the provincial and municipal governments. The year before the federal government showed a deficit of \$228 million and provincial and municipal governments a surplus of \$101 million.

Expenditures by governments may be divided into two main categories: expenditures for the purchase of goods and services, and so-called transfer payments, i.e., family allowances, old age pensions, the greater part of the interest on the public debt, veterans' benefits, etc., which do not arise from current production of goods and services. The first category represents the demands which governments place on the annual output of the nation. Transfer payments, on the other hand, simply add to the sums available for spending or saving by the recipients.

During the *calendar year* 1944, at the peak of Canada's war effort, the federal government absorbed 38% of that year's production of goods and services and provincial and municipal governments an additional 5%. By 1946 federal expenditures on goods and services had fallen to 9% of the gross national product, while similar provincial and municipal expenditures had risen to 6%. During the *calendar year* 1947 provincial and municipal expenditures continued to rise and federal government expenditures to fall, so that now, as in pre-war years, provincial and municipal governments together absorb a larger share of current output than the federal government.

TABLE 9

GOVERNMENT EXPENDITURES ON GOODS AND SERVICES AS PERCENTAGE OF GROSS NATIONAL EXPENDITURE⁽¹⁾

	1939		1944		1946		Prelim. 1947	
	\$ Millions	%	\$ Millions	%	\$ Millions	%	\$ Millions	%
Gross national expenditure at market prices.....	5,581	100	11,820	100	11,613	100	13,165	100
Federal government expenditure on goods and services.....	225	4	4,547	38	1,094	9	616	5
Provincial and municipal expenditure on goods and services.....	524	9	540	5	735	6	876	7

(1) See Table 10.

TABLE 10

GOVERNMENT TRANSACTIONS RELATED TO THE NATIONAL ACCOUNTS⁽¹⁾

	1939	1944	1946	Prelim. 1947
	(MILLIONS OF DOLLARS)			
GOVERNMENT REVENUE				
Direct Taxes—Persons.....	121	836	796	786
Income and Excess Profits—				
Federal.....	46	771	711	694
Provincial and Municipal.....	15			
Succession Duties—				
Federal.....		16	20	30
Provincial.....	28	24	34	31
Miscellaneous—				
Federal.....	3	6	6	5
Provincial and Municipal.....	29	19	25	26
Direct Taxes—Corporations.....	123	630	699	839
Income and Excess Profits—				
Federal.....	98	599	668	711
Provincial.....	14	4	2	93
Withholding taxes—federal.....	11	27	29	35
Indirect Taxes.....	709	1,380	1,502	1,745
Federal.....	310	922	957	1,136
Provincial and Municipal.....	399	458	545	609
Investment Income.....	78	306	356	315
Federal.....	—11	159	154	113
Provincial and Municipal.....	89	147	202	202
Employer and Employee Contributions to Social Security and Pension Funds.....	35	134	145	165
Federal.....	6	77	80	95
Provincial and Municipal.....	29	57	65	70
Transfers from Other Governments—				
Provincial and Municipal.....	83	159	164	208
Total Revenue.....	1,149	3,445	3,662	4,058
Federal.....	463	2,577	2,625	2,819
Provincial and Municipal.....	686	868	1,037	1,239
Deficit (or surplus—)	54	2,610	127	—917
Federal.....	2	2,760	228	—774
Provincial and Municipal.....	52	—150	—101	—143
Total Revenue plus Deficit (or minus Surplus).....	1,203	6,055	3,789	3,141
Federal.....	465	5,337	2,853	2,045
Provincial and Municipal.....	738	718	936	1,096

⁽¹⁾ This table is designed to include only those transactions which have relevance for the national accounts, and consequently the surpluses or deficits shown here do not agree with those shown in the various public accounts. It has been necessary to adjust the conventional accounting statements of fiscal year revenue and expenditure to exclude purely bookkeeping transactions as well as the purchase and sale of capital assets. Extra-budgetary funds such as unemployment insurance, workmen's compensation and

TABLE 10—Concluded

GOVERNMENT TRANSACTIONS RELATED TO THE NATIONAL ACCOUNTS

	1939	1944	1946	Prelim. 1947
(MILLIONS OF DOLLARS)				
GOVERNMENT EXPENDITURE—				
Goods and Services	749	5,087	1,829	1,492
Federal—excluding mutual aid, UNRRA and military relief.....	225	3,587	997	578
—mutual aid, UNRRA and military relief.....		960	97	38
Provincial and Municipal	524	540	735	876
Transfer Payments	388	552	1,555	1,267
Federal	175	380	1,359	1,052
Provincial and Municipal	213	172	196	215
Subsidies	—17	257	241	174
Federal	—18	251	236	169
Provincial	1	6	5	5
Transfers to Other Governments—				
Federal	83	159	164	208
 Total Expenditure	 1,203	 6,055	 3,789	 3,141
Federal	465	5,337	2,853	2,045
Provincial and Municipal	738	718	936	1,096

pension funds have been added, and surpluses or deficits of Government enterprises are likewise included. In the federal accounts some of the more substantial adjustments are as follows: addition of national defence recoverable expenditure, allocation of war refunds to prior years, adjustment of corporate taxes to an accrual basis, elimination of sales of war assets to business, and elimination of British Commonwealth Air Training Plan write-off from expenditure. In addition the federal figures have been adjusted to a calendar year basis by using the monthly figures published by the Comptroller of the Treasury. Government loans to foreign countries or accumulation of gold or foreign exchange are not included with government expenditure.

GOVERNMENT SURPLUS OR DEFICIT IN RELATION TO SAVING AND INVESTMENT

The following tables are designed to illustrate how investment expenditures during the four years 1939, 1944, 1946 and 1947 were financed and the changing position of governments in the balance between saving and investment. Whereas in 1946 federal, provincial and municipal governments together spent more than they received (see also table 10), thus adding to the total demand upon the national output, in 1947 revenues of all governments exceeded expenditures by \$917 million, thus supplementing the savings of individuals (which fell sharply in 1947) and businesses and offsetting to some degree the inflationary pressures in the economy.

TABLE 11
SOURCES OF PRIVATE SAVING

	1939	1944	1946	Preliminary 1947
(Millions of Dollars)				
Personal saving.....	334	1,676	957	588
Undistributed corporation profits.....	199	334	411	609
Undistributed Wheat Board profits.....		-19	37	67
Inventory revaluation adjustment ⁽¹⁾	-56	-2	-8	-18
Depreciation allowances.....	582	881	839	906
Residual error of estimate ⁽²⁾	-1	+220	-37	-132
Total.....	1,058	3,090	2,199	2,020

⁽¹⁾ The adjustment has been made only to grain held in commercial channels.

⁽²⁾ See Tables 1 and 2.

TABLE 12
DISPOSITION OF PRIVATE SAVING

	1939	1944	1946	Preliminary 1947
(Millions of Dollars)				
Gross Home Investment.....	883	673	1,708	2,822
Net increase in foreign assets (including foreign exchange) adjusted ⁽¹⁾	121	27	326	-18
Government deficit (+) or surplus (-) ⁽²⁾	54	2,610	127	-917
Residual error of estimate ⁽³⁾		-220	†38	†133
Total.....	1,058	3,090	2,199	2,020

⁽¹⁾ See Table 13.

⁽²⁾ See Table 10.

⁽³⁾ See Tables 1 and 2.

CANADA'S BALANCE OF INTERNATIONAL PAYMENTS

This table and the one that follows are designed to display the principal features of Canada's international balance of payments on current account and the related changes in the capital items.

Adding together on the one side the value of exports and other current receipts from abroad and on the other side the value of imports and other current payments to the outside world, Canada's international accounts showed a small surplus during the year 1947, a deficit on current account vis-a-vis the United States of some \$1,138 million being balanced by a surplus vis-a-vis the rest of the world of a somewhat larger amount. The year before—1946—there was a surplus on current account of \$357 million. The reduction in the current balance is accounted for principally by a very large increase in the value of imports from the United States.

TABLE 13

CANADA'S NET BALANCE OF INTERNATIONAL PAYMENTS ON
CURRENT ACCOUNT

	1939	1944	1946	Preliminary 1947
	(MILLIONS OF DOLLARS)			
NET BALANCE—				
Merchandise.....	377	2,032	667	287
U.S.A. excluding non-monetary gold.....	-128	331	-430	-892
non-monetary gold.....	184	110	96	99
U.K. and other Empire ⁽¹⁾	259	1,774	628	774
Other Countries.....	62	87	373	306
Interest and Dividends.....	-249	-193	-248	-273
U.S.A.....	-193	-161	-209	-238
U.K. and other Empire.....	-75	-47	-46	-40
Other Countries.....	19	15	7	5
Tourist Trade.....	68	61	86	78
U.S.A.....	70	61	86	83
U.K. and other Empire.....	-4			-4
Other Countries.....	2			-1
Freight and Shipping.....	-17	70	92	46
U.S.A.....	-15	-73	-68	-115
U.K. and other Empire.....	4	136	103	112
Other Countries.....	-6	7	57	49
All other transactions.....	-53	-1,222	-143	-53
U.S.A.....	-34	-237	-88	-75
U.K. and other Empire.....	-8	-984	-16	30
Other Countries.....	-11	-1	-39	-8
Total current balance (unadjusted).....	126	1,018	454	85
U.S.A.....	-116	31	-613	-1,138
U.K. and other Empire.....	176	879	669	872
Other Countries.....	66	108	398	351
Less Mutual Aid, U.N.R.R.A. etc.....		-960	-97	-38
Total increase ⁽¹⁾ in foreign assets (including foreign exchange).....	126	58	357	47
Adjustment for national accounts.....	5	-31	-31	-65
Adjusted total ⁽²⁾	121	27	326	-18

⁽¹⁾ Other sterling area countries are included with U.K. and other Empire for 1944, 1946 and 1947.

⁽²⁾ See Tables 2 and 12.

During 1947 the Canadian Government financed the purchase by overseas countries of goods and services in Canada to a value of \$563 million (apart from official contributions such as UNRRA) while other capital transactions resulted in additional net lending abroad of some \$228 million. Since there was only a small current account surplus (see table 13) out of which to finance this lending, reserves of gold and U.S. dollars required to be drawn down to the extent of \$743 million.

TABLE 14

SUMMARY OF CANADA'S NET BALANCE OF INTERNATIONAL PAYMENTS ON
CURRENT ACCOUNT AND RELATED CHANGES ON CAPITAL ACCOUNT

	1939	1944	1946	Preliminary 1947
(MILLIONS OF DOLLARS)				
UNITED STATES AND OTHER NON-EMPIRE COUNTRIES				
<i>Net balance on current account—</i>				
U.S.A.....	-116	+ 31	-613	-1,138
Other.....	+ 66	+108	+398	+ 351
Total (including Mutual Aid, UNRRA and Military Relief).....	- 50	+139	-215	- 787
<i>Related Changes on Capital Account—</i>				
Net New Issues (+) or Retirements (-) of Canadian Securities.....	+ 24	- 74	-238	-231
Net Sales (+) or Purchases (-) of Outstanding Securities.....	+ 87	+225	+274	+ 4
Export Credits and Interim Advances.....			-210	-140
Other Net Capital Movements.....	-164	+ 77	+ 77	- 54
Mutual Aid, UNRRA, Military Relief.....	-	-126	- 92	- 38
Special Receipts of Convertible Exchange from Sterling Area.....	+ 2	+ 55	+150	+505
Decrease (+) or Increase (-) in Canadian holdings of gold and U.S. Dollars.....	(1)	-278	+251	+743
Balancing Item ⁽²⁾	+101	- 18	+ 3	- 2
Total.....	+ 50	-139	+215	+787

(1) Included with "other net capital movements".

(2) Includes multilateral settlements (in 1939) and errors and omissions in all years.

	1939	1944	1946	Preliminary 1947
(MILLIONS OF DOLLARS)				
UNITED KINGDOM AND EMPIRE COUNTRIES				
<i>Net balance on current account—</i>				
United Kingdom.....	+137	+746	+500	+632
Other Empire Countries ⁽¹⁾	+ 39	+133	+169	+240
Total (including Mutual Aid).....	+176	+879	+669	+872
<i>Related Changes on Capital Account—</i>				
Net New Issues (+) or Retirements (-) of Canadian Securities.....	-120	- 34	- 77	- 41
Net Sales (+) or Purchases (-) of Outstanding Securities.....	- 5	- 27	- 54	- 9
Loans and Interim Advances.....			-652	-423
Repayments on 1942 U.K. Loan.....		+ 57	+89	+104
Other Net Capital Movements.....	+ 42	+ 2	+164	
Mutual Aid.....		-834	- 5	
Special Receipts of Convertible Exchange.....	- 2	- 55	-150	-505
Decrease (+) or Increase (-) in Canadian holdings of £ Sterling.....		+ 4	+ 15	- 1
Balancing Item ⁽²⁾	- 91	+ 8	+ 1	+ 3
Total.....	-176	-879	-669	-872

(1) Other Sterling Area countries are included with Other Empire countries for 1944, 1946 and 1947.

(2) Includes multilateral settlements (in 1939), and errors and omissions in all years.

FOREIGN EXCHANGE RESERVES

Canada's holdings of gold and United States dollars at the outbreak of war and at the end of each subsequent calendar year were as follows:

TABLE 15
HOLDINGS OF GOLD AND U.S. DOLLARS

	F.E.C.B. and Bank of Canada	Dominion Government	Private ⁽¹⁾	Total
	(MILLIONS OF DOLLARS)			
Sept. 15, 1939.....	238.7	22.4	132.0	393.1
Dec. 31, 1939.....	272.8	33.4	98.0	404.2
Dec. 31, 1940.....	309.3	20.8	2.0	332.1
Dec. 31, 1941.....	164.1	23.5	"	187.6
Dec. 31, 1942.....	242.9	75.6	"	318.5
Dec. 31, 1943.....	573.2	76.4	"	649.6
Dec. 31, 1944.....	800.1	102.1	"	902.2
Dec. 31, 1945.....	1,275.9	232.1	"	1,508.0
Dec. 31, 1946.....	1,222.3	22.6	"	1,244.9
Dec. 31, 1947.....	458.4	43.3	"	501.7

⁽¹⁾ Exclusive of working balances.

EMPLOYMENT

Since 1939, the Canadian labour force has grown rapidly as a result of natural increase, immigration and the high wartime demand for labour, the effects of which are still perceptible. During 1947, employment continued at high levels, dropping slightly in February, 1948 because of seasonal influences. Unemployment has recently remained at the low level of approximately three per cent of the total labour force.

TABLE 16
ESTIMATED CANADIAN LABOUR FORCE AND EMPLOYMENT

	June 1, 1939	June 1, 1944	June 1, 1946	May 31, 1947	Nov. 8, 1947	Feb. 21, 1948
	(THOUSANDS OF PERSONS)					
Total Population 14 years and over.....	8,294	8,885	9,093	9,225	9,298	9,343
Total Labour Force, including Armed Forces.....	4,668	5,304	5,036	5,040	5,062	4,943
Armed Forces.....	10	779	122	35	33	34
Civilian Labour Force.....	4,658	4,525	4,911	4,995	5,017	4,908
Employed.....	3,763	4,443	4,785	4,904	4,930	4,752
Nonagricultural.....	2,483	3,257	3,511	3,741	3,862	3,787
Agricultural.....	1,280	1,186	1,274	1,163	1,068	965
Unemployed.....	895	82	126	91	87	156
Persons Not in the Labour Force.....	3,626	3,581	4,060	4,195	4,248	4,401

NOTE: The estimates for June 1, 1946, and later do not in all cases agree with the estimates shown in the labour force bulletins of the Dominion Bureau of Statistics. To take into account the fact that the labour force surveys do not cover approximately 100,000 persons living in institutions the number of persons not in the labour force has been increased correspondingly. Similarly, to take account of the omission of Indians living on reservations and persons in inaccessible areas, the nonagricultural employed and persons not in the labour force have both been increased by 83,000.

PHYSICAL VOLUME OF INDUSTRIAL AND AGRICULTURAL PRODUCTION

The following tables are designed to give an approximate idea of the physical volume of industrial and agricultural production. They show an increase during 1947 in the volume of all types of industrial production and some decline in agricultural output partly attributable to less favourable weather conditions.

TABLE 17
INDEX OF PHYSICAL VOLUME OF INDUSTRIAL PRODUCTION, 1939-1947
SEASONALLY ADJUSTED, 1935-9=100

	Total	Mining	Manufacturing	Non-Durable Manufactures	Durable Manufactures	Electric Power
1939.....	109	118	108	108	108	108
1940.....	130	127	132	121	152	115
1941.....	157	135	164	140	205	128
1942.....	185	130	200	154	276	142
1943.....	199	118	217	167	302	155
1944.....	199	106	220	173	299	155
1945.....	176	102	192	170	229	154
1946.....	159	103	169	163	179	159
1947.....	176	113	187	174	208	172
1947, by months—						
January.....	174	110	185	174	203	171
February.....	176	107	189	175	212	173
March.....	177	113	189	177	209	174
April.....	178	115	189	179	206	175
May.....	175	112	185	175	203	180
June.....	176	115	187	174	209	181
July.....	171	111	181	168	202	184
August.....	168	109	178	169	194	174
September.....	175	110	187	173	210	171
October.....	179	116	191	176	218	169
November.....	178	115	191	176	217	156
December.....	179	119	191	175	218	161
1948, by months—						
January.....	178	118	189	176	212	166
February.....	182	123	194	182	216	162

TABLE 18
AGRICULTURAL PRODUCTION

	1939	1944	1946	1947
	(MILLIONS)			
Wheat.....(bush.)	521	417	414	341
Oats.....(bush.)	384	500	371	279
Barley.....(bush.)	103	195	149	141
Rye, flax seed, mixed grain.....(bush.)	62	76	68	60
Shelled corn, buckwheat, peas and beans, dry.....(bush.)	18	20	20	15
Potatoes and turnips.....(tons)	4	4	4	3
Hay and clover, alfalfa, fodder corn, grain hay.....(tons)	22	25	23	24
Tobacco.....(lbs.)	108	105	141	116
Milk production.....(lbs.)	15,781	17,624	16,956	17,214
Meat production.....(lbs.)	1,490	2,729	2,350	2,220

PRICES

Measuring changes as from the base period 1935-39, the Canadian cost of living index is still 16 points below the United States index at the latest date for which figures are available, although during 1947 and the first quarter of 1948 the Canadian index rose more rapidly than the U.S. index. Most of the difference is attributable to a smaller rise in food and clothing costs in Canada since the base period, even though these two items account for most of the recent rise in the Canadian index.

TABLE 19
INDEX NUMBERS OF THE COST-OF-LIVING
1935-39 = 100

	All Items			Foods			Clothing			Rents		
	Canada	U.S.A.	U.K.	Canada	U.S.A.	U.K.	Canada	U.S.A.	U.K.	Canada	U.S.A.	U.K.
MONTHLY AVERAGES—												
1939.....	102	99	104	101	95	104	101	101	107	104	104	102
1940.....	106	100	121	106	97	121	109	102	143	106	105	103
1941.....	112	105	131	116	106	124	116	106	185	109	103	103
1942.....	117	117	132	127	124	119	120	124	200	111	109	103
1943.....	118	124	131	131	138	123	121	130	176	112	108	103
1944.....	119	126	132	131	136	124	122	139	173	112	108	103
1945.....	120	128	134	133	139	126	122	146	174	112	108	104
1946.....	124	139	134	140	160	125	126	160	173	113	109	105
1947.....	136	159	.....	160	194	.....	144	186	.....	117	111	.....
1947—January.....	127	153	134	146	184	124	132	179	174	113	109	106
February.....	128	153	134	147	182	124	132	182	171	113	109	106
March.....	129	156	134	149	190	125	133	184	170	113	109	106
April.....	131	156	134	152	188	125	137	185	171	113	109	106
May.....	133	156	134	155	188	120	140	185	171	115	109	109
June.....	135	157	134	158	191	119	142	186	173	118	109	110
July.....	136	158	101 ⁽¹⁾	160	193	101 ⁽¹⁾	143	185	102 ⁽¹⁾	118	110	100 ⁽¹⁾
August.....	137	160	100	161	197	99	146	186	102	118	111	100
September.....	139	164	101	165	204	100	152	188	101	118	114	100
October.....	142	164	101	171	202	101	154	189	102	120	115	100
November.....	144	165	103	174	203	103	157	190	102	120	115	100
December.....	146	167	104	179	207	103	159	191	102	120	115	110
1948—January.....	148	169	104	182	210	104	161	192	103	120	116	100
February.....	150	168	106	186	205	108	165	195	104	120	116	100
March.....	151	167	.....	186	202	.....	170	196	.....	120	116	.....
April.....	152	.....	.....	187	.....	.....	173	.....	.....	120	.....	.....

⁽¹⁾ New Interim Index, based on June 17, 1947 = 100.

MONEY SUPPLY AND RELATED BANK ASSETS

The following tables are based on a new series prepared by the Bank of Canada. An explanation of the method of calculations is given in the Bank's annual report for 1947, pages 31 to 35.

It will be noted that the money supply, after rising steadily throughout the war years, levelled off during 1947.

TABLE 20
MONEY SUPPLY AND RELATED BANK ASSETS

Money Supply	December 31,				March 31,
	1939	1944	1946	1947	1948
(MILLIONS OF DOLLARS)					
Currency Outside Banks—					
Notes ⁽¹⁾	247	930	1,031	1,046	1,032
Coin ⁽²⁾	34	60	65	66	66
Total Currency.....	281	990	1,096	1,112	1,098
Bank Deposits—					
Chartered Banks					
Demand ⁽³⁾	853	1,862	2,291	2,296	2,201
Active Notice ⁽⁴⁾	197	363	614	597	629
Other (excl. Dominion Govt.) ⁽⁵⁾	157	153	229	233	263
Total.....	1,207	2,378	3,134	3,126	3,093
Deduct Float ⁽⁶⁾	—136	—243	—328	—362	—345
Net Total.....	1,071	2,135	2,806	2,764	2,748
Bank of Canada "Other" Deposits ⁽⁷⁾	18	28	94	68	87
Total Bank Deposits.....	1,089	2,163	2,900	2,832	2,835
Money Supply	1,370	3,153	3,996	3,944	3,933

(1) Note circulation of Bank of Canada and chartered banks, excluding notes held by chartered banks.

(2) Subsidiary coin issued by the Mint less coin held by Bank of Canada and chartered banks in Canada.

(3) Chartered banks' public demand deposits in Canada.

(4) Chartered banks' public notice deposits in Canada other than estimated aggregate quarterly minimum balances in personal savings accounts and non-personal notice deposits.

(5) Chartered banks' Canadian dollar deposits of provincial governments, Canadian, United Kingdom, and foreign banks.

(6) Cheques on banks as shown in chartered bank month-end returns to the Minister of Finance.

(7) Bank of Canada Other Deposits as shown on published month-end statements—i.e. excluding Dominion Government, chartered banks and foreign deposits.

TABLE 20—Con.

MONEY SUPPLY AND RELATED BANK ASSETS

RELATED BANK OF CANADA AND CHARTERED BANK ASSETS	December 31,				March 31,
	1939	1944	1946	1947	1948
	(MILLIONS OF DOLLARS)				
Dominion Government Securities, Gold & Exchange—					
Bank of Canada, Gold & Exchange ⁽⁸⁾	290				
Banking Securities ⁽⁹⁾	425	2,321	1,476	811	1,068
Other Dominion Government Securities—					
Bonds ⁽¹⁰⁾	752	2,006	3,745	3,718	3,512
Victory Loan Advances ⁽¹¹⁾		271			
Total.....	752	2,277	3,745	3,718	3,512
Total Dom. Govt. Securities, Gold & Exch.....	1,467	4,598	5,221	4,529	4,580
Deduct Dom. Govt. Deposits ⁽¹²⁾	-145	-720	-366	-272	-111
Net Total.....	1,322	3,878	4,855	4,257	4,469
All other Loans and Investments ⁽¹³⁾	1,767	1,593	2,297	3,084	3,000
Deduct Inactive Notice Deposits ⁽¹⁴⁾	-1,544	-2,060	-2,856	-3,143	-3,298
Total Related Bank Assets.....	1,545	3,411	4,296	4,198	4,171

⁽⁸⁾ Bank of Canada gold and foreign exchange holdings less the amount of foreign currency deposit liabilities.

⁽⁹⁾ Bank of Canada and chartered bank holdings of Dominion Government Treasury Bills, Deposit Certificates, Treasury Notes and any other short term issues sold direct to bank of Canada and chartered banks.

⁽¹⁰⁾ Bank of Canada and chartered bank holdings of Dominion Government direct and guaranteed securities other than those shown as banking issues and exclusive of any temporary advances in connection with purchase of Victory Loan issues.

⁽¹¹⁾ Chartered banks' temporary advances to the public in connection with the purchase of Victory Loan bonds at time of issue.

⁽¹²⁾ Canadian dollar deposits of the Dominion Government at chartered banks and Bank of Canada.

⁽¹³⁾ All loans in Canada of the chartered banks other than temporary advances in connection with Victory Loan issues, plus chartered banks' holdings of provincial, municipal and "other" securities, and Bank of Canada holdings of Industrial Development Bank capital stock.

⁽¹⁴⁾ Estimated aggregate minimum quarterly balances in chartered banks' personal savings deposits in Canada plus non-personal notice deposits in Canada.

PART II

REVIEW OF GOVERNMENT ACCOUNTS, 1947-48

SUMMARY OF REVENUES AND EXPENDITURES 1947-48

1. It is estimated that total taxation revenue for the fiscal year 1947-48 will be \$2,542,031,000, a decrease of only \$5,830,000 from the previous year. Taking into account non-tax revenues and special receipts and credits (which were substantially lower than in the two previous fiscal years), total revenues were \$2,869,409,000, approximately 5% lower than the previous fiscal year.

2. Expenditures, on the other hand, declined by \$434,776,000. Ordinary expenditures show an increase of \$146,310,000, but this was more than offset by a further substantial drop in expenditures attributable to the war and its aftermath.

3. The net result was a budgetary surplus, or decrease in net debt, of \$669,958,000.

SUMMARY OF REVENUES AND EXPENDITURES⁽¹⁾

(Thousands of Dollars)

	1943-44	1944-45	1945-46	1946-47	Esti- mated ⁽²⁾ 1947-48
	\$	\$	\$	\$	\$
Ordinary revenues.....	2,570,094	2,300,097	2,363,162	2,588,531	2,630,219
Capital refunds.....	93	728	376	110	62
Special receipts and other credits.....	194,831	386,509	649,647	419,235	239,128
Total revenues.....	2,765,018	2,687,334	3,013,185	3,007,876	2,869,409
Ordinary expenditures.....	630,381	767,376	1,061,902	1,236,235	1,382,545
Capital expenditures.....	2,622	3,164	4,508	11,200	16,461
War and Demobilization expenditures....	4,587,023	4,418,446	4,002,949	1,314,798	634,668
Special expenditures.....	37,496	7,506	17,358	31,926	63,540
Government Owned Enterprises.....	1,307	1,358	1,334	10,682	18,697
Other charges.....	63,425	47,762	48,177	29,386	83,540
Total expenditures.....	5,322,254	5,245,612	5,136,228	2,634,227	2,199,451
Surplus (+) or Deficit (-).....	-2,557,236	-2,558,278	-2,123,043	+ 373,649	+ 669,958

⁽¹⁾ For the usual detailed tables comparing revenues and expenditures as estimated for the fiscal year 1947-48 with actual revenues and expenditures for the preceding four fiscal years, see pages

⁽²⁾ The Government's fiscal year ends on March 31 but the books remain open for some time thereafter in order to record expenditures made to April 30 (as provided for by section 32 of the Consolidated Revenue and Audit Act) and to provide for adjusting entries. Final figures for the fiscal year ending March 31, 1948, are not yet available, and the figures relating thereto appearing in this Part must be regarded as preliminary.

ANALYSIS OF REVENUES, 1947-48

4. Although the final figures are not yet available, it is estimated that grand total revenues for the fiscal year 1947-48 will reach \$2,869,409,000. This indicates a decline of \$138,467,000 from the previous year. The overall revenue total in recent years has included varying but substantial amounts of special receipts and credits arising out of bookkeeping adjustments of war and other expenditures and reflecting also the sale of war assets. These special receipts and credits, which are largely non-recurring, showed a sharp decline in 1947-48, which more than accounted for the decline in grand total revenues. Ordinary revenues, which reflect more accurately the Government's cash revenue, amounted to \$2,630,219,000, an increase of \$11,488,000 over the previous year.

ANALYSIS OF REVENUES

(Thousands of dollars)

	1947-48	Percent.	Change from 1946-47
DIRECT TAXES—			
Individual Income Tax.....	659,828	23.00	— 34,702
Corporation Income Tax.....	364,131	12.69	+ 125,339
Excess Profits Tax.....	227,030	7.91	— 221,668
Other Direct Taxes.....	66,717	2.32	+ 13,005
Total Direct Taxes.....	1,317,706	45.92	— 118,026
INDIRECT TAXES—			
Customs Duties.....	293,012	10.21	+ 55,657
Excise Duties.....	196,794	6.86	+ 750
Excise Taxes.....	640,758	22.33	+ 61,734
Other Indirect Taxes.....	3,761	0.13	— 5,945
Total Indirect Taxes.....	1,134,325	39.53	+ 112,196
NON-TAX REVENUES—			
Post Office.....	77,758	2.71	+ 4,780
Return on Investments.....	75,800	2.64	+ 6,361
Other Non-Tax Revenues.....	24,630	0.86	+ 6,177
Total Non-Tax Revenues.....	178,188	6.21	+ 17,318
SPECIAL RECEIPTS AND CREDITS.....	239,190	8.34	— 180,155
TOTAL REVENUE.....	2,869,409	100.00	— 168,667
Less estimated amount of refundable Income and Excess Profits Taxes.....			+ 30,200
NET TOTAL REVENUE.....	2,869,409	100.00	— 138,467

5. Of grand total revenues, 46% was derived from direct taxes on incomes of individuals and corporations and from succession duties, 39.6% was obtained from indirect taxes and the remaining 14.4% was from non-tax revenues and special receipts and credits.

6. A remarkable feature of the 1947-48 fiscal year was the great buoyancy of tax revenues, in pace with the rapidly expanding national income. Despite substantial tax cuts in personal income tax in 1947 and the fact that earlier reductions in corporation and excess profits tax became fully effective on revenues during the year, the total yield from taxes declined by only \$5,830,000.

7. No further reserve was set up during the year for the refundable portion of excess profits tax or individual income tax. In accordance with statutory provisions calling for repayment of the refundable portion of tax collected in respect of 1942 before March 31, 1948, payments amounting to \$84,210,000 were made during the year, including small amounts in respect of other taxation years. The amount of the reserve for refundable excess profits tax and personal income tax held at present, classified by the tax years to which it relates, is shown in the table below:

Taxation Year	Refundable Personal Income Tax	Refundable Excess Profits Tax
	\$	\$
1943.....	150,000,000	67,700,000
1944.....	80,000,000	73,000,000
1945.....		71,000,000
1946[1].....		17,300,000
Gross Total.....	230,000,000	229,000,000

[1] Corporation fiscal years ending in 1946.

ORDINARY REVENUES

8. The personal income tax which yielded \$659,828,000 retained its position as the largest single source of revenue. The substantial tax reductions which became effective on January 1 and July 1, 1947, resulted in a revenue lower by \$34,702,000 than that of the previous year. This was a reduction of only 5%, a very small decline in relation to the extensive reduction in rates. The continuing high revenue from this source reflects the increased incomes and the high level of employment throughout the year.

9. Corporation income tax and excess profits tax, both levied on business profits, yielded a total of \$591,161,000, a decline of \$96,329,000 from the previous year's total. The corporation income tax yield of \$364,131,000 was \$125,339,000 more than in the previous year and indicates the result of the increase from 18% to 30% in the corporation income tax which became effective on January 1, 1946, as well as the high level of business profits in 1947. The excess profits tax yield of \$227,030,000 was \$221,668,000 less than in the previous year, showing the effects of the change made in the tax on January 1, 1946, as well as the reduction in the rates of tax.

10. Revenues under the headings "Taxes on Dividends and Interest" and "TAXES ON RENTS AND ROYALTIES" are derived from special taxes, largely on income going to non-residents of Canada, levied under authority of section 9B of the Income War Tax Act. In 1947-48 revenue under this heading amounted to \$35,889,000, an increase of \$5,753,000 over the previous year. This increase reflects higher dividend payments during the year and the extension of the 5% tax to dividends from wholly-owned subsidiaries going abroad to parent companies, which became effective on April 30, 1947.

11. Succession duties, yielding \$30,828,000, showed a marked increase of \$7,252,000 over the previous year. Although there has been an increase in revenue from this source every year since succession duties were first levied in 1941, the sharp increase in 1947-48 was largely due to the fact that seven provinces have rented this field of taxation to the Dominion and consequently there were no provincial duties in these provinces to be deducted from the higher Dominion rates which have prevailed since January 1, 1947.

12. Net revenues from customs import duties reached the all-time high of \$293,012,000, exceeding the receipts of the previous year by \$55,657,000. This very high revenue reflects the heavy import trade resulting from the extensive capital investment program, the high level of consumer purchasing power, and the widespread demand for goods, factors which were so much in evidence during the year under review and which contributed so largely to the serious depletion of the country's supply of United States dollars.

13. Excise duties, which are levied exclusively on alcoholic beverages and tobacco products, brought in a total revenue of \$196,794,000, an increase of \$750,000 over the previous year. The revenue from alcoholic beverages declined slightly and that from tobacco products increased moderately, by \$953,000. As in previous years, the smokers' contribution to the federal treasury was considerable, with the overall revenue from tobacco products (including the yield of the additional taxes imposed under the Excise Act on tobacco, cigarettes, cigarette papers and tubes), amounting to \$177,141,000. This is 7.2% of the total revenue from taxes.

14. Under the heading "Excise Taxes" are included a wide variety of taxes levied on commodities and services under the Excise Tax Act. The most important of these taxes from the point of view of revenue is the sales tax which yielded a gross revenue of \$383,012,000 during 1947-48, an increase of \$54,939,000 over the previous year. This increase of 16.7% reflects the increased supply of

commodities available for consumption during the year and the generally higher price level. Since November 17, 1947, this tax has not applied to electricity and gas used in dwellings.

15. The second largest revenue source among the excise taxes is the tax on tobacco products which yielded \$68,606,000. Although this amount is \$7,712,000 less than that for the previous year, this decline in revenue is almost entirely due to a variation in the procedure for remitting the tax which resulted in revenue being included in March 1947 which would normally have been reported in April, thus increasing the revenue for 1946-47 at the expense of 1947-48.

16. The revenue from several excise taxes showed marked increases during the year. With increased production due to more abundant supplies of sugar, the revenue from soft drinks increased 27.5% and that from candy and chewing gum increased by 37.7%. The revenue from the tax on automobiles and tires and tubes almost doubled in 1947-48 due to the greater production of automobiles during the year and to the increase in the tax which became effective on November 18, 1947. The tax program announced on that date also resulted in increased revenue from phonographs, radios and tubes, and from electrical and gas appliances. Among those items which yielded reduced amounts were cigarette papers and tubes, toilet preparations and soap, and transportation and communications. The tax on sugar which was repealed on November 17, 1947, yielded a smaller revenue than the previous year and a clean-up amount of \$2,208,000 is shown for the gasoline tax which was repealed as from April 1, 1947. Refunds of excise taxes declined from \$29,845,000 in the previous year to \$10,685,000, which represents at more normal level of refunds than that which prevailed during the war and immediate post-war years.

17. Some of the sources which showed an increase in revenue and the amounts of the increase in each case are as follows:

	Increase Increase over 1946-47
Automobiles, rubber tires and tubes.....	\$ 15,609,000
Beverages.....	5,132,000
Candy and chewing gum.....	5,002,000
Electric and gas appliances.....	2,817,000
Phonographs, radios and tubes.....	2,800,000
Special excise on importations.....	928,000
Amusements.....	817,000

18. Some of the sources which showed a decrease in revenue and the amount of the decrease in each case are as follows:

	Decrease from 1946-47
Cigars, cigarettes and tobacco.....	\$ 7,712,000
Cigarette papers and tubes.....	524,000
Sugar.....	767,000
Toilet preparations and soaps.....	376,000
Trunks, bags and luggage.....	748,000
Transportation and communications.....	400,000

19. Small amounts of tax revenue are derived from the tax on chartered bank note circulation which decreases from year to year with the decline in circulation of such notes as provided by statute; from the taxes on the net premium income of insurance companies; from a tax on the export of electric energy from Canada, and from a tax on the export of furs from the Northwest Territories. Revenues from all of these taxes for 1947-48 amounted to \$3,761,000. This is \$5,945,000 less than in the previous year, and the decline is largely

due to the reduction in revenue from the tax on net premium income of insurance companies, resulting from the provision that taxes paid to the provinces on premium income after December 31, 1946 could be deducted from the tax paid to the Dominion. Such taxes are imposed in Ontario and Quebec, but have been withdrawn in the seven other provinces under the Dominion Provincial Agreements.

20. Non-tax revenues for 1947-48 are estimated at \$178,188,000, an increase of \$17,318,000 over 1946-47. Receipts from the Post Office amounted to \$77,758,000, an increase of \$4,780,000. These receipts exceeded the cost of operating the Post Office by about \$8,000,000, if we take no account on the credit side of the value of services rendered free of charge to other departments, and, on the debit side, of rentals and other costs of premises occupied by the Post Office. Return on Investments realized \$75,800,000, an increase over the previous year of about \$6,361,000. The larger items making up the total of return on investments are: interest on advances to Canadian National Railways, \$18,858,000; Bank of Canada profits, \$18,828,000; interest on loans to Foreign Exchange Control Board, \$5,101,000; Foreign Exchange Control Board profits, \$10,833,000; interest on bonds held in Securities Investment Account, \$11,509,000; interest on loans to National Harbours Board, \$2,025,000; interest on loans to Provinces, \$1,241,000; interest on loans to Canadian Farm Loan Board, \$628,000; Soldier Settlement Board, \$1,955,000; interest on loans to Foreign Governments, \$2,501,000; and interest on advances to Canadian National Railways for purchase of railway equipment, \$1,121,000.

SPECIAL RECEIPTS AND CREDITS

21. The estimated total of Special Receipts and Credits for the fiscal year 1947-48 is \$239,190,000 as compared with \$419,345,000 for the previous year. Of this total \$226,924,000 represents receipts arising from war, demobilization and reconversion expenditures and consists of Refunds of Previous Years' War, Demobilization and Reconversion Expenditures, \$133,687,000; Sale of Surplus War Assets, \$61,200,000; and Miscellaneous War Demobilization and Reconversion Revenues, \$32,037,000.

A breakdown of Refunds of Previous Years' War, Demobilization and Reconversion Expenditures, with details of the larger items, follows:

National Defence—

Refund by United States Treasury in respect of advance payments made during the war years on equipment and supplies, \$32,200,000; sundries, \$6,500,000.....	\$ 38,700,000
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Reconstruction and Supply—

Refunds on contracts in connection with cost audits and re-negotiation, \$58,000,000; return of working capital advances from pre-financed plants, \$5,020,000; sundries, \$5,200,000.....	68,220,000
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Amounts received by Canada in partial settlement of military relief arrangements with the United States, the United Kingdom, other countries and UNRRA, consisting of \$4,500,000 payable to Canada from UNRRA in respect of goods turned over to UNRRA by the Combined Military Authorities, and \$3,145,000 representing the proceeds of sale of certain motor vehicles turned over to the Combined Military Authorities but not transferred to recipient countries as military relief but sold in the liquidation of the combined military relief operations.....	7,645,000
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Crown's investment in Wartime Oils Limited, Previous Years' War Expenditure transferred to "Active Assets".....	1,250,000
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Transfer of a portion of the credit balance in the United Kingdom General Settlement Account. (This account was established in 1945-46 to record transactions arising from the implementation of the terms of the Canada-United Kingdom Financial Settlement Agreement).....	5,000,000
Amortization of capital expenditure in connection with War Supplies Ltd. orders.....	11,000,000
Sundry Departments.....	1,872,000
	<u>\$ 133,687,000</u>

22. The amount of \$61,200,000 realized during the year through the disposal of surplus war assets, does not include the residual cash balances or value of accounts receivable carried by War Assets Corporation as at March 31, 1948.

Miscellaneous War, Demobilization and Reconversion Revenues, totalling \$32,037,000 includes: The sum of \$9,773,000 representing the transfer thereto of special funds set up in previous years to provide for compensation in respect of injuries to employees in defence projects; \$8,115,000 of profits including \$3,615,000 of customs duty and excise tax drawbacks, in connection with War Supplies Limited Account; \$3,640,000 derived from the operation of Park Steamships Limited; \$4,700,000 housing rentals from Central Mortgage and Housing Corporation, and \$2,500,000 of a credit adjustment arising out of the transfer of this amount to "Active Assets" from accountable advances made to Canadian Arsenals Limited.

BUDGET FORECAST COMPARED WITH ACTUAL REVENUE, 1947-48

23. Actual revenues again exceeded the budget forecast by a substantial sum, reflecting in part at least the continuing rise in national income and expenditure throughout 1947 which it would scarcely have been prudent to anticipate, even if it could have been foreseen, in the preparation of the budget.

DETAILED STATEMENT OF BUDGET FORECAST COMPARED WITH ACTUAL REVENUE FOR 1947-48

Source of Revenue	Budget Forecast of Revenue	Actual Revenue	Increase (+) or decrease (—) in revenue as compared with budget forecast
TAX REVENUES	(thousands of dollars)		
Customs Duties.....	230,000	293,012	+ 63,012
Excise Duties.....	200,000	196,794	— 3,206
Excise Taxes:			
Sales Tax (net).....	325,000	372,327	+ 47,327
Other Excise Taxes.....	250,000	268,431	+ 18,431
Total Excise Taxes.....	575,000	640,758	+ 65,758
Income Taxes:			
Tax on personal incomes.....	515,000	659,828	+144,828
Corporate Income Tax and Excess Profits Tax.....	460,000	591,161	+131,161
Interest and Dividends.....	30,000	35,889	+ 5,889
Total Income Taxes.....	1,005,000	1,286,878	+281,878
Succession Duties.....	26,000	30,828	+ 4,828
Miscellaneous Taxes.....	4,000	3,761	— 239
Total Tax Revenue.....	2,040,000	2,452,031	+412,031
Non Tax Revenues.....	160,000	178,188	+ 18,188
Total.....	2,200,000	2,630,219	+430,219
Special Receipts and Credits.....	90,000	239,190	+149,190
Total Revenue.....	2,290,000	2,869,409	+579,409

ANALYSIS OF EXPENDITURES

24. According to preliminary calculations, grand total expenditures during the fiscal year 1947-48 were \$2,199,451,000, a decline of \$434,776,000 from the previous year. Demobilization and reconversion expenditures contracted still further, counterbalanced by some increase in ordinary expenditures and other items.

ANALYSIS OF EXPENDITURES

(Thousands of Dollars)

—	1947-48				Change in Total from 1946-47
	Ordinary Expend- itures	Demob. and Recon- version Expend- itures	Total	%	
Public Debt charges.....	466,422	8	466,430	21.21	— 10,386
Subsidies and Payments to Provinces under Tax Agreements.....	155,891	.....	155,891	7.09	+ 47,128
Family Allowances.....	263,165	.....	263,165	11.97	+ 18,024
Old Age Pensions and Pensions for Blind Persons.....	58,090	997	59,087	2.68	+ 13,642
Unemployment Insurance Act ⁽¹⁾	35,124	.....	35,124	1.60	+ 1,198
Veterans Benefits Pensions and aftercare ⁽²⁾ ..	96,219	230,325	236,544	14.85	—265,186
Agricultural Subsidies and Assistance.....	.....	33,313	33,313	1.51	— 37,803
War-time Prices and Trade Board and Sub- sidies Related to Price Control.....	.....	57,560	57,560	2.62	— 69,956
National Defence.....	637	194,553	195,190	8.87	—192,421
Reconstruction and Supply.....	12,087	63,235	75,322	3.42	— 63,750
Other Ordinary and Demobilization and Reconversion Expenditures.....	294,910	54,677	349,587	15.89	+ 25,690
TOTAL.....	1,382,545	634,668	2,017,213	91.71	—533,820
Capital Expenditure.....	.....	.....	16,461	0.75	+ 5,261
Special Expenditure.....	.....	.....	63,540	2.89	+ 31,614
Government Owned Enterprises.....	.....	.....	18,697	0.85	+ 8,015
Other Charges.....	.....	.....	83,540	3.80	+ 54,154
GRAND TOTAL EXPENDITURES.....	.....	.....	2,199,451	100.00	—434,776

⁽¹⁾ Administration and Government Contributions.

⁽²⁾ Includes Veterans Land Act but not additions, alterations and improvements to departmental hospitals.

25. The principal changes in expenditures are summarized in the above table which, for purposes of comparison with the previous year, combined ordinary and demobilization and reconversion expenditures.

26. For the first time in ten years, interest charges on the public debt fell below the previous year, a direct result of the reduction in debt during the year. The decline in interest charges alone was \$8,940,000 to which have been added other savings in public debt charges amounting to \$1,446,000, to give the total reduction shown above of \$10,386,000.

27. The largest single increase during the year—\$47,128,000—was in the total of payments to Provinces, including statutory subsidies and payments under the tax agreements. The increase in the tax agreement payments, amounting to \$28,117,000, is a result of the payment during 1947-48 of \$63,000,000 due under the wartime tax agreements. The remainder is largely attributable to the payment of \$8,031,250 to each of the Provinces of Alberta and Saskatchewan arising out of the Natural Resources settlement.

28. Family allowances payments rose by \$18,024,000, or about 7%, mainly as a result of the changes in the income tax provisions relating to dependent children, which became effective as from the beginning of 1947 although there is, of course, a steady rise from month to month due to natural increase. The increase in old age pensions and pensions for blind persons of \$13,642,000, which represents more than a 30% increase from the previous year, indicates the effect of the higher rate of pensions and revised income qualifications. Government contributions to unemployment insurance and administrative expenses under the Act showed a moderate increase. During the year the costs of National Selective Service were combined with administration of the Unemployment Insurance Act.

29. A major drop in expenditures relating to veterans accounted for almost one-half of the total reduction in ordinary and demobilization and reconversion expenditures during the fiscal year. Payments of war service gratuities and re-establishment credits, alone, declined from \$318,325,000 in 1946-47 to \$84,135,000 in 1947-48. There was also a drop of nearly 50% in the costs of treatment. Pension costs relating to veterans of World Wars I and II, on the other hand, continued to increase.

30. The further withdrawal from wartime controls is reflected in the substantial reductions in expenditures under the headings of agricultural subsidies, price control and subsidies directly related to price control. As shown in the above table, agricultural subsidies and assistance declined by \$37,803,000 from the previous year and the costs of price control administration and related subsidies (including payments to flour millers) by \$69,956,000.

31. As demobilization proceeded, National Defence expenditures declined by 50% from the previous year, most of the reduction being attributable to the Army.

32. Expenditures of the Department of Reconstruction and Supply continued to decline. Of the \$63,235,000 spent by that Department under Demobilization and Reconversion during 1947-48, \$38,620,000 was attributable to housing developments.

CAPITAL EXPENDITURES

33. Expenditures charged to capital during the fiscal year 1947-48 totalled \$16,461,000 compared with \$11,200,000 in the previous fiscal year. The main items are cost of dredging the St. Lawrence Ship Channel, construction and improvements in connection with civil airways and airports, the construction of the new Prince Edward Island car ferry and improvements of terminal facilities.

SPECIAL EXPENDITURES

34. Special expenditures are estimated at \$63,540,000, an increase of \$31,614,000 over 1946-47. The largest single item of expenditure under this category was a payment to the Canadian Wheat Board of \$31,450,000 to cover the amount of established deficits in respect of certain special operations of an emergency character conducted by the Board during war and post-war years, as provided for by Vote 582 of the Further Supplementary Estimates for 1947-48. Advances to the Prairie Farm Emergency Fund accounted for \$10,744,000 and \$13,900,000 was expended for subsidies on oats and barley used as feed for live stock.

GOVERNMENT OWNED ENTERPRISES

35. Total expenditures under the classification entitled Government Owned Enterprises which comprises the losses of and non-active advances to Government Owned Enterprises established before the war and operated as separate corpor-

ations, were \$18,697,000 in the fiscal year ended March 31, 1948. The increase of \$8,015,000 over the expenditure of the previous year was occasioned mainly by the larger deficit of the Canadian National Railways and the inclusion for the first time in many years of the deficit of the Trans-Canada Airlines.

Canadian National Railways

36. The operating revenues of the Canadian National Railways for the calendar year 1947 totalled \$438,198,000, an increase of 9·4% over those of 1946. Operating expenses of the Railway totalled \$397,123,000, an increase of 11·2% over those of 1946.

The net operating revenue of the railway was \$41,075,000 and after deducting \$13,136,000 for taxes, and for equipment rentals and joint facility rentals, there remained a net railway operating income of \$23,711,000. Other income less deductions totalled \$4,228,000, resulting in \$27,939,000 being available for interest. After payment of \$23,822,000 in interest on funded debt held by the public and \$20,002,000 in interest to the Government on temporary loans for capital and refunding purposes, there was a net cash deficit of \$15,885,000. This amount was paid to the railway by the Government and charged to expenditure.

The operating deficit of the Prince Edward Island Car Ferry and Terminals for 1947 was \$932,000, compared with \$888,000 in 1946.

Canadian National Steamships

37. The Canadian National (West Indies) Steamships, Limited, had an operating surplus of \$829,000 in the calendar year 1947 and earnings on the Company's Replacement Fund totalled \$267,000. From the total income of \$1,096,000, there were paid \$470,000 for bond interest and \$103,000 for interest on Government advances, leaving a resulting income surplus of \$523,000. Of this income surplus the sum of \$267,000 was retained in the Replacement Fund and the remainder, namely \$256,000, was paid to the Government in reduction of advances made in prior years for deficits.

Trans-Canada Airlines

38. The Trans-Canada Airlines North American service had total operating revenues in 1947 of \$15,297,000. In the same period operating expenses totalled \$16,796,000, resulting in an operating deficit of \$1,499,000. After payment of invested capital of \$262,000, there was a total deficit of \$1,761,000.

The Trans-Atlantic service had total operating revenues of \$5,483,000 in 1947. Operating expenses amounted to \$5,342,000, resulting in an operating surplus of \$141,000. After payment of interest on invested capital of \$5,000, there was a surplus of \$136,000.

Deducting the surplus of \$136,000 on Trans-Atlantic service from the deficit of \$1,761,000 on North American service there was an over-all deficit of \$1,625,000. The accumulated surplus of Trans-Canada Airlines at December 31, 1946, totalled \$255,000. After deducting this amount from the over-all deficit for 1947 there remained a net accumulated deficit of \$1,370,000, which amount was paid to the Airlines by the Government.

National Harbours Board

39. The operating income of the National Harbours Board for the calendar year 1947, after payment of interest to the public but before depreciation, reserve for replacements and interest on Government advances, was \$3,827,000 compared with \$4,143,000 in the previous year. Interest paid to the Government in the fiscal year ended March 31, 1948, totalled \$2,025,000.

Financial assistance provided by the Government to the National Harbours Board and charged to expenditure under the category Government Owned Enterprises totalled \$509,000, divided as follows: \$67,000 for the operating deficit of Churchill Harbour and \$70,000 for the operating deficit of Quebec Harbour; \$264,000 for non-active advances to meet the deficit of the Jacques Cartier Bridge at Montreal; and \$2,000, \$55,000, \$3,000, \$24,000 and \$24,000 for capital expenditures at the Harbours at Churchill, Quebec, Three Rivers, Saint John and Halifax.

The elevators at Port Colborne and Prescott operated at a profit during the year and \$87,000 was paid to the Government.

OTHER CHARGES

40. Total expenditures in this final category are estimated at \$83,540,000 compared with \$29,386,000 in 1946-47.

41. Most of this is represented by the amount of \$75,000,000 which has been credited to the general reserve to meet possible losses on the ultimate realization of active assets. This is an increase of \$50,000,000 over the amount of \$25,000,000 set aside for this purpose each fiscal year since the account was established in 1940-41. During the year, \$55,416,000, representing the write-off of the Western Provinces' Treasury Bill indebtedness was charged to the reserve as provided for by The Western Provinces' Treasury Bills and Natural Resources Settlement Act. At March 31, 1947, the general reserve was \$153,669,000, and as a result of these credit and debit transactions the reserve at March 31, 1948 stood at \$173,253,000, or a net increase of \$19,584,000.

42. The other items in this category which affect the net debt are: the provision for reserve for conditional benefits under the Veterans' Land Act and the annual write-off of Soldier and General Land Settlement and Veterans' Land Act aggregating \$6,602,000.

43. The loss of \$50,000 on seed grain and relief accounts administered by the Department of Mines and Resources does not increase the net debt as the write-off is from an amount already set aside in the non-active accounts to provide for revaluations and losses.

44. The last item in this category reflects a change in the Canadian National Railways Securities Trust Stock, which was decreased by \$1,885,000 representing the retirement of equipment. The deficit in the Canadian National Railways for the calendar year 1947 does not reduce the Dominion's equity as the amount of the deficit is paid to the railway by the Government and charged as Government expenditure under the category of Government Owned Enterprises. The item of \$1,885,000 is a contra item and does not increase the net debt. It appears on the revenue side under the heading of Special Receipts and Credits.

LOANS AND ADVANCES AND INVESTMENTS

45. In addition to the expenditures already detailed the Government makes disbursements for loans, advances and investments which are treated as "active assets" and are deducted from total gross liabilities in arriving at the figure of net debt. The net increase in these active assets during 1947-48 was \$453,654,000.

The details in regard to the items accounting for this net increase together with those for the four previous fiscal years will be found in the table on page 94.

CHANGES IN ACTIVE LOANS, ADVANCES AND INVESTMENTS, 1947-48
(thousands of dollars)

	Increases	Decreases
<i>Loans and Advances—</i>		
Railways and Steamship Companies—		
Canadian National Railways.....	81,717	.....
Sundry Government Agencies—		
National Harbours Board.....		26
Soldier Settlement and Veterans Land Act... 35,966		.....
Sundry Crown Companies.....	9,146	.....
Other.....		11,632
	45,112	11,658
Provincial and Municipal Governments.....		63,629
United Kingdom and Other Governments—		
United Kingdom, loan under The War Appropriation (U.K. Financing) Act, 1942.....		111,285
Union of Soviet Socialist Republics — loan for purchase of wheat.....		2,500
Export Credits Insurance Act..... 130,830		.....
United Kingdom Financial Agreement Act, 1946 368,000		.....
Other.....		3,314
	498,830	117,099
Miscellaneous—		
Sundry munitions contracts—		
(Department of Reconstruction & Supply).....		610
Other.....	4,153	.....
	4,153	610
<i>Investments—</i>		
Canadian Farm Loan Board.....	100	.....
Canada's subscription to International Bank for Reconstruction & Development.....	16,250	
Export Credits Insurance Corporation Capital Stock.....	2,500	
Other.....		2,012
	18,850	2,012
Net Total of Changes in Loans and Advances and Investments.....	453,654	

NOTE: Annual changes in active loans and advances and investments for the five fiscal years ended March 31, 1948 appear on page 94.

Railway and Steamship Companies

46. There was a net increase of \$81,717,000 in loans to the Canadian National Railways in the fiscal year 1947-48. Advances of \$53,550,000 were made for the retirement of funded debt of the Company held by the public. Advances for the purchase of capital stock of Trans-Canada Airlines totalled \$15,100,000. Advances of \$11,000,000 were made pending Parliamentary approval of the appropriation for the Railway's 1948 deficit. An advance of \$5,886,000 was also made for capital purposes of the Railway. Repayment of amounts due to the Government under various Hire-Purchase Agreements covering railway equipment acquired in previous years aggregated \$3,819,000.

Sundry Government Agencies

47. Advances to the National Harbours Board for capital purposes at Vancouver and Montreal were reduced during the year by \$26,000.

48. The net increase in the fiscal year in advances for Soldier Settlement and Veterans Land Act purposes amounted to \$35,966,000. This increase was occasioned by net advances of \$38,066,000 under the Veterans Land Act, less the sum of \$2,100,000 written off and charged to Consolidated Deficit Account.

49. Net advances to sundry Crown companies increased by \$9,146,000. The main items contributing to this change were as follows: advances aggregating \$22,500,000 to the Central Mortgage and Housing Corporation; \$2,500,000 representing capital surplus of Export Credits Insurance Corporation; reduction of \$5,000,000 to the Commodity Prices Stabilization Corporation and a reduction of \$9,100,000 in advances to the Agricultural Prices Account.

Provincial and Municipal Governments

50. Loans in this category decreased during the fiscal year 1947-48 by \$63,629,000. This reduction reflects the adjustment authorized, under The Western Provinces Treasury Bills and Natural Resources Settlement Act, in the indebtedness of the four western provinces to the Government of Canada. Of this reduction, \$55,416,000 was charged to the Reserve for Possible Losses upon the Ultimate Realization of Active Assets.

United Kingdom and Other Governments

51. Net advances under this heading increased by \$381,731,000 during the fiscal year 1947-48. The largest single item in this category consisted of the advances under the United Kingdom Financial Agreement Act, 1946, aggregating \$368,000,000. At March 31, 1948, the Government of the United Kingdom had drawn down \$1,008,000,000, out of a total loan of \$1,250,000,000 authorized by this Act. The Canadian dollar obligation of the Government of the United Kingdom under the authority of The War Appropriation (United Kingdom Financing) Act, 1942, was reduced by \$111,285,000, leaving a balance outstanding at the fiscal year end of \$331,479,000.

52. Advances made during the fiscal year to foreign governments and their agencies pursuant to agreements made under the Export Credits Insurance Act increased by \$130,830,000. Advances were made to the various countries as follows: Belgium \$16,000,000; China \$20,046,000; Czechoslovakia \$10,315,000; France \$49,945,000; Netherlands \$28,536,000; Netherlands Indies \$5,900,000; and Norway \$1,906,000. In addition unpaid interest was consolidated and added to the loans under the terms of the agreements in the amount of \$248,000 in the case of Belgium and \$150,000 in the case of Norway. Belgium repaid \$2,112,000 during the year.

53. The Government of the Union of Soviet Socialist Republics repaid during the fiscal year \$2,500,000 of a loan obtained under the authority of the War Appropriation Act in the amount of \$10,000,000. This payment completely liquidated the loan on its due date.

Investments

54. In the fiscal year 1947-48, Canada paid \$16,250,000 on its subscription to the capital stock of the International Bank for Reconstruction and Development. This payment was made in the form of non-interest bearing notes. The remaining amount of Canada's subscription to the capital stock of the Bank, namely, \$260,000,000, can only be called to meet obligations of the Bank on securities of or guaranteed by the Bank.

55. A further payment of \$2,500,000 was made for the capital stock of the Export Credits Insurance Corporation. This payment completes the Government's subscription to the capital stock of the Corporation.

DEBT REDEMPTION AND LOAN FLOTATION

56. During the fiscal year ended March 31, 1948, Government obligations to a total of \$2,856,342,539 matured or were called for redemption. Of this amount, \$1,333,293,471 was renewed or converted into new issues, and cash required to retire the balance was provided as follows: \$325,000,000 from the sale of a new issue of two year bonds to the Bank of Canada and the chartered banks, \$263,530,150 from the sale of Canada Savings Bonds Series II, \$200,000,000 from the sale of a new issue of Treasury Notes to the Bank of Canada, \$100,000,000 from the sale of an issue of Deposit Certificates to the chartered banks, \$50,000,000 from the issue of notes to the Export-Import Bank, and \$584,518,918 from cash balances.

57. During the year, Government issues of securities amounted to an estimated total of \$2,271,823,621 exclusive of the recurring issues of Treasury Bills which were issued to refund similar securities maturing during the year. Of this total, securities in the amount of \$1,645,000,000 were issued to the Bank of Canada, and in the amount of \$280,000,000 to the chartered banks. Drawings on the \$300,000,000 Export-Import Bank Loan amounted to \$50,000,000 during the fiscal year, and, in accordance with the loan agreement, notes maturing in three, four, and five years from the date of the withdrawal were delivered to the Bank.

58. Canada Savings Bonds were the only securities offered to the general public during the year. Net sales of Series II amounted to \$263,530,150 during the period, while there were net redemptions of \$92,394,150 in Series I of these bonds.

59. The fortnightly issue of three months Treasury Bills was continued during the year. The amount outstanding remained unchanged at \$450,000,000 throughout the year. Average yield on the last issue sold during the fiscal year was 4.11%.

60. The average rate of interest on the Dominion's direct funded debt (including Treasury Bills and Deposit Certificates) outstanding at March 31, 1948 was 2.66%, compared with 2.65% at March 31, 1947.

61. The following Tables show the details of loan flotations and debt redemption during the fiscal year.

LOAN FLOTATIONS 1947-48

—	Issue Date	Maturity Date	Interest Rate	Price to Government	Yield at Government Price to	Total Amount Issued	Renewals or Reconversion Included in Amount Issued	Amount Issued for Cash
<i>Issued to Chartered Banks</i>								
Two Year Bonds.....	Mar. 1, 1948	Mar. 1, 1950	1 $\frac{1}{8}$ %	100.30	1.347	180,000,000		\$ 180,000,000
Deposit Certificates.....	Mar. 5, 1948	Sept. 3, 1948		100.00	0.625	100,000,000		100,000,000
						280,000,000		280,000,000
<i>Issued to Bank of Canada</i>								
Six Months Treasury Notes.....	May 1, 1947	Nov. 1, 1947	1 $\frac{1}{8}$ %	100.00	0.625	200,000,000		200,000,000
Six Months Treasury Notes.....	Sept. 1, 1947	Mar. 1, 1948		100.00	0.625	550,000,000	550,000,000	
Six Months Treasury Notes.....	Nov. 1, 1947	May 1, 1948		100.00	0.625	200,000,000	200,000,000	
Six Months Treasury Notes.....	Mar. 1, 1948	Sept. 1, 1948		100.00	0.625	550,000,000	550,000,000	
Two Year Bonds.....	Mar. 1, 1948	Mar. 1, 1950		100.30	1.347	145,000,000		145,000,000
						1,645,000,000	1,300,000,000	345,000,000
<i>Issued to The Export-Import Bank of Washington</i>								
Three Year Notes.....	Mar. 1, 1948	Mar. 1, 1951	2 $\frac{1}{2}$ (1)	100.00	2.500	16,667,000 (2)		16,667,000 (2)
Four Year Notes.....	Mar. 1, 1948	Mar. 1, 1952	2 $\frac{3}{4}$ (1)	100.00	2.500	16,667,000 (2)		16,667,000 (2)
Five Year Notes.....	Mar. 1, 1948	Mar. 1, 1953	2 $\frac{1}{2}$ (1)	100.00	2.500	16,666,000 (2)		16,666,000 (2)
						50,000,000 (2)		50,000,000 (2)
<i>Issued to General Public</i>								
Canada Savings Bonds, Series II—Net.....	Nov. 1, 1947	Nov. 1, 1957	2 $\frac{3}{4}$	99.375	2.82	263,530,150		263,530,150
Grand Totals.....						2,238,530,150	1,300,000,000	938,530,150

(1) In addition to the interest charge, the loan from the Export-Import Bank carries a commitment charge of $\frac{1}{2}$ of 1% on the unutilized portion.

(2) Payable in United States dollars.

DEBT REDEMPTION 1947-48

Maturity or Call Date	Interest Rate	Where Payable	Amount
	%		\$
May 1, 1947.....	1 $\frac{3}{4}$	Canada	373,259,000
July 1, 1947.....	4	Canada	33,293,471
Sept. 1, 1947.....	5 $\frac{5}{8}$	Canada	550,000,000
Oct. 1, 1947.....	2 $\frac{3}{2}$	London	88,485
Oct. 15, 1947 ⁽¹⁾	4	Canada	56,191,000
Nov. 1, 1947 ⁽²⁾	4 $\frac{1}{2}$	Canada	37,523,200
Nov. 1, 1947.....	3 $\frac{5}{8}$	Canada	200,000,000
Feb. 1, 1948 ⁽¹⁾	3 $\frac{1}{4}$	Canada	50,012,350
Mar. 1, 1948.....	3 $\frac{5}{8}$	Canada	550,000,000
Mar. 1, 1948.....	2 $\frac{1}{4}$	Canada	269,897,000
Mar. 1, 1948.....	1 $\frac{3}{4}$	Canada	239,713,000
Non-Interest Bearing Certificates (Net).....		Canada	308,255
War Savings Certificates (Net).....		Canada	37,329,374
Canada Savings Bonds, Series I (Net).....	2 $\frac{3}{4}$	Canada	92,394,150
Various ⁽¹⁾		London	2,141,354
Deposit Certificates.....	5 $\frac{5}{8}$	Canada	280,000,000
Total Bonds and Certificates.....			2,772,132,639
Repayment of Refundable Portions Excess Profits Tax and Personal Income Tax.....			84,209,900
Total Redemptions of Debt.....			2,856,342,539
Less: Amounts Renewed or Converted ⁽³⁾			1,533,293,471
Provided from Cash Resources.....			1,323,049,068

⁽¹⁾ Maturity date October 15, 1952, called for redemption October 15, 1947.

⁽²⁾ Maturity date November 1, 1957, called for redemption November 1, 1947.

⁽³⁾ First call of First War Loan.

⁽⁴⁾ These issues were vested by the Treasury of the United Kingdom in August, 1941, and January, 1942. Amounts purchased during the fiscal year were cancelled. The actual redemptions for the year at the rate of \$4.03 to the pound were approximately \$212,000. The difference between this figure and \$2,141,354 shown in the table is due to revaluation of the outstanding sterling issues from a par figure of \$4.86 2/3 to the pound to \$4.03 to the pound.

⁽⁵⁾ Total from previous Table \$1,300,000,000 and School Fund Debentures, viz. \$33,293,471.

SOURCES AND APPLICATION OF CASH FUNDS

62. The Government's financial operations are not confined to collecting revenues and making expenditures in the narrow accounting or budgetary sense of that term. Very substantial amounts of cash are received and disbursed in other ways—ways which do not affect at all the amount of the budgetary surplus for the year. Such receipts and disbursements must also be taken into account when considering the role of the financial operations of the Government in the nation's economy.

63. The following table has therefore been drawn up with a view to summarizing the various sources of cash funds received by the Government during the year and the various purposes for which cash funds have been disbursed. It also serves to account for the decrease of \$448·6 million which has taken place in the Government's net cash position between March 31, 1947, and March 31, 1948; in this connection, however, it should be noted that the amount of the Government's cash balances shown for this purpose and for the purpose of year-end balance sheets is not the actual amount of cash held on March 31st but rather such amount corrected for the various year-end adjustments reflected in the balance sheet.

SOURCE AND APPLICATION OF CASH FUNDS
FISCAL YEAR ENDED 31ST MARCH, 1948 *with marked*

(Millions of Dollars)

SOURCE OF CASH FUNDS—

1. Net balance of cash funds remaining out of current year's revenues.....	\$	727.0
Consisting of:		
Excess of revenues over expenditures for the year (i.e. budgetary surplus) ..	\$	669.9
Add back items included in total expenditures which did not represent current outlays of cash.....		107.7(*)
	\$	777.6
Less items included in total revenues which did not represent current receipts of cash.....		50.6(†)
	\$	727.0
2. Repayments of loans and advances.....	\$	351.9
Consisting of amounts received from—		
Foreign Exchange Control Board.....	\$	220.0
United Kingdom under War Appropriation (U.K. Financing) Act, 1942.		111.3
Miscellaneous U.K. and other governments.....		6.0
Agricultural products and agricultural prices support account.....		9.1
Provincial and Municipal governments.....		1.9
Miscellaneous loans and advances.....		3.6
	\$	351.9
3. Repayments of balances arising from agreements of sale of Crown assets.....	\$	1.9
4. Increases in Insurance, Pension and Guaranty accounts.....		85.2
5. Increases in sundry suspense accounts.....		14.9
	\$	1,180.9

APPLICATION OF CASH FUNDS—

1. Increase in loans and advances.....	\$	625.2
Consisting of amounts advanced to:		
Canadian National Railways.....	\$	81.7
United Kingdom (under United Kingdom Financial Agreement Act, 1946).....		368.0
Other Countries (under Export Credits Insurance Act).....		130.8
Crown Companies.....		6.6
Various Veterans (under Soldier Settlement and Veterans Land Acts) ..		38.1
	\$	625.2
2. Increase in working capital advances.....		6.2
3. Increase in investments.....		2.6
Represented by:		
Increase in investment in Canadian Farm Loan Board.....	\$	0.1
Increase in miscellaneous investments.....		2.5
	\$	2.6

(*) Annual amortization of bond discounts and commissions, \$10.0 million; write-down of assets—Soldier Land Settlement and Veterans Land Act Loans, \$2.1 million; provision for reserve for conditional benefits under Veterans Land Act, \$4.5 million; provision for reserve for possible losses on ultimate realization of active assets, \$75.0 million; Natural Resources Settlements Provinces of Saskatchewan and Alberta, \$16.1 million.

(†) Premium, Discount and Exchange, \$3.9 million; Transfer to Active Assets—Loans and Advances—Wartime Oils Ltd. and Canadian Arsenals Ltd., \$3.7 million; and 1936 and 1937 Saskatchewan Seed Grain Guarantees (non-active), \$9.8 million; Amortization and profits from War Supplies Ltd., \$19.1 million; Employees Compensation Clearing Accounts—Defence Projects, \$9.1 million; and U.K. Settlement Scheme, \$5.0 million.

17.3
388
250.7

4. Reduction in deposit and trust accounts		43.1
5. Reduction in deferred credits		5.6
6. Cost of loan flotations (portion to be amortized)		0.7
7. Reduction in funded debt (net)	\$ 584.5	
<i>less</i> increase in floating debt	48.4	
	<u> </u>	\$ 536.1
8. Amounts transferred to securities investment account		410.0
		<u> </u>
	\$	1,629.5

Excess of cash funds applied over funds made available—accounting for net decrease in cash position between March 31, 1947 and March 31, 1948.....\$ 448.6

Cash balance at March 31, 1947.....\$ 484.5
Cash balance at March 31, 1948.....35.9

Reduction in Canadian dollar balances.....\$ 435.2
Reduction in U.S. dollar balances.....12.7
Reduction in Sterling dollar balances.....0.2

448.1

\$ 1,180.9

448.6

64. It will be noted that in order to arrive first of all at a figure representing the cash funds provided from current operations (i.e., the excess of revenues over budgetary expenditures), an adjustment must be made for items included in revenues which do not represent cash receipts and also for items included in expenditures which do not represent outlays of cash. When these adjustments are made, the net balance of cash funds remaining out of current year's revenues is found to be \$727·0 million.

65. To this total should be added an amount of \$351·9 million representing repayments of loans and advances, \$1·9 million representing repayments of balances arising from agreements of sale in respect of Crown assets, \$85·2 million representing increases in various insurance, pension and guarantee accounts, and \$14·9 million representing increases in sundry suspense accounts.

66. The total of all these items is \$1,180·9 million, which with cash on hand at the beginning of the fiscal year would represent the total cash funds available to the Government after taking care of the year's budgetary expenditures. The lower half of the table shows how these cash funds were applied or disbursed and the balance remaining at the end of the year.

67. It will be noted that of the total funds available the sum of \$634·0 million was spent in the acquisition of active assets—\$625·2 million by way of increases in loans and advances, \$2·6 million by way of increases in investments and \$6·2 million by way of increases in working capital advances. The sum of \$43·1 million was accounted for by a reduction in deposit and trust accounts, \$5·6 million by a reduction in deferred credits, and \$0·7 million by cost of loan flotations which will appear as expenditures in future years as it is amortized over the term of the relevant loans.

68. Of special significance is the fact that the remainder of the cash which was disbursed during the year, namely \$946·1 million went to reduce the amount of Government securities outstanding in the hands of the public. The net retirement of funded debt amounted to \$584·5 million, but there was an increase of \$48·4 million in floating debt, making net retirement in total debt of \$536·1 million. In addition, however, an amount of \$410·0 million of Government securities was purchased from the public and transferred to securities investment account.

NATIONAL DEBT

69. It is estimated that the gross unmatured funded debt (including Deposit Certificates, Treasury Bills and the estimated refundable portion of personal income tax and excess profits tax) of the Government of Canada outstanding at the close of the fiscal year 1947-48 will amount to \$15,957,381,000, details of which may be found on page 54. Other liabilities consisting chiefly of Deposit and Trust Accounts, Insurance, Pension and Guaranty Accounts are estimated at \$1,243,689,000. The gross liabilities of the Dominion on March 31, 1948, therefore, are estimated at \$17,201,070,000. On the other side of the balance sheet there are active assets estimated at a total of \$4,996,525,000, consisting of cash, loans, advances and investments, less a reserve of \$173,253,000 for possible losses on their ultimate realization. If the amount of net active assets is deducted from the amount of gross liabilities, there results a figure of \$12,377,798,000, representing the estimated net debt of the Dominion as at March 31, 1948.

70. The decrease in the net debt for the year is estimated at \$669,958,000. This of course is the amount already reported as the over-all estimated surplus for the fiscal year 1947-48.

BALANCE SHEET

The following is a condensed estimated balance sheet of the Dominion, together with details of non-active assets:

BALANCE SHEET—MARCH 31, 1948

(estimated)

(thousands of dollars)

Liabilities—

Floating Debt—

Matured Funded Debt Outstanding.....	\$ 32,460	
Stock and other obligations payable on demand.....	252,034	
Interest due and outstanding.....	78,453	
Outstanding cheques and warrants.....	102,000	
Post Office Account.....	10,000	
	<hr/>	\$ 474,952

Deposit and Trust Accounts—

Post Office Savings Bank.....	36,750	
Indian Trust Funds.....	18,500	
Miscellaneous.....	58,000	
	<hr/>	113,250

Insurance, Pension and Guaranty Accounts—

Government Annuities.....	430,000	
Insurance Fund—Civil Service.....	21,235	
Insurance Fund—Returned Soldiers.....	24,580	
Veterans' Insurance Account.....	2,300	
Unemployment Insurance Fund—Cash.....	8,400	
Other Insurance and Guaranty Accounts.....	750	
Civil Service Superannuation Account.....	90,315	
Civil Service Retirement Fund.....	14,675	
Permanent Services Pension Account.....	7,880	
Other Pension Funds.....	2,800	
	<hr/>	602,935

Deferred Credits..... 3,700

Sundry Suspense Accounts..... 29,300

Province Debt Accounts..... 11,920

Reserve for contingent liabilities..... 7,632

Funded Debt Unmatured—

Payable in Canada—

Bonds, Deposit Certificates and Treasury Bills.....	15,290,807	
Refundable portion of personal income tax and excess profits tax (estimated).....	459,249	
Payable in New York.....	198,000	
Payable in London.....	9,325	
	<hr/>	15,957,381

17,201,070

Assets—

Cash including investment in the Foreign Exchange Control Board and holdings in the

Securities Investment Account.....\$ 1,372,763

Departmental Working Capital Advances..... 14,800

Loans and Advances—

To Canadian National Railways..... 760,725

To United Kingdom and Other Governments—

United Kingdom, The War Appropriation (U.K. Financing) Act, 1942.....	\$ 331,479	
United Kingdom Financial Agreement Act, 1946.....	1,008,000	
Export Credits Insurance Act.....	466,330	
Other (U.K. and Other Governments).....	40,000	
	<hr/>	1,845,809

To Sundry Government Agencies—

Canadian Broadcasting Corporation.....	2,000	
Crown Companies.....	53,557	
National Harbours Board.....	85,090	
Soldier Settlement and Veterans' Land Act.....	143,900	
Other.....	14,800	
	<hr/>	299,347

To Provincial and Municipal Governments..... 107,745

Miscellaneous..... 9,685

3,673,311

BALANCE SHEET—MARCH 31, 1948—concluded

(estimated)

(thousands of dollars)

Assets—Concluded

Investments—

Bank of Canada Capital Stock.....	\$	5,920	
Central Mortgage and Housing Corporation Capital Stock.....		25,000	
Canadian Farm Loan Board—			
Advances and Capital Stock.....		21,123	
Canada's subscription to capital of—			
International Monetary Fund.....		300,003	
International Bank for Reconstruction and Development.....		65,036	
Balances receivable under agreements of sale of Crown assets.....		11,531	
Miscellaneous.....		60,204	

Province Debt Accounts.....	\$	488,817	
Deferred Charges—Unamortized discounts and Commissions on Loans.....		2,296	
Sundry Suspense Accounts.....		72,654	
		19,384	

Less—Reserve for possible losses on ultimate realization of Active Assets.....		\$4,996,525	
		173,253	

Net Debt, March 31, 1948 (estimated).....	\$	4,824,267	
		12,377,798	

\$ 17,201,070

NET DEBT—MARCH 31, 1948 (estimated)

(thousands of dollars)

Net Debt represented by—

(A) Expenditures for Capital Purposes and Non-active Assets—

Public Works—

Canals.....	\$	240,092	
Railways.....		435,783	
Miscellaneous.....		338,003	
Military Property and Stores.....		12,617	
Territorial Accounts.....		9,896	
Canadian Pacific Railway (old).....		62,791	
Canadian National Railways Securities Trust Stock.....		378,519	
Canadian National Railways Stock.....		18,000	
Loans and Advances Non-active—			
Canadian National Steamships.....		11,797	
National Harbours Board—			
Chicoutimi.....	\$	3,811	
Churchill.....		16	
Halifax.....		12,498	
Montreal (Jacques Cartier Bridge).....		7,086	
Port Colborne Elevator.....		1	
Quebec.....		27,828	
Saint John.....		17,325	
Three Rivers.....		3,985	

72,550

Soldier and General Land Settlement.....		16,526	
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Seed Grain and Relief Advances.....		89	
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Miscellaneous Non-active Accounts.....		2,457	
--	--	-------	--

\$ 1,599,120

(B) Consolidated Deficit Account—

Balance, Consolidated Deficit Account brought forward from March 31, 1947.....	\$	11,453,361	
--	----	------------	--

Excess of revenue over expenditure excluding amounts charged under (A) above, fiscal year ended March 31, 1948 (estimated).....		674,683	
---	--	---------	--

10,778,678

\$ 12,377,798

INDIRECT LIABILITIES

71. Indirect or contingent liabilities of the Government include the guarantee of the deposits maintained by the chartered banks in the Bank of Canada, guarantees of certain bond issues and bank loans, commitments under housing legislation, and certain other guarantees.

Guaranteed Bond Issues

72. Bonds and debenture stocks guaranteed by the Government were outstanding in the hands of the public in the amount of \$521,949,171 as at March 31, 1948, a decrease of \$45,005,355 during the year. This decrease was caused chiefly by the redemption of two Canadian National Railways 3% bond issues: the \$20,000,000 issue due February 1, 1952 was called for redemption on February 1, 1948 and the \$25,000,000 issue due February 15, 1953, was called for redemption on February 15, 1948.

*Guaranteed Bank Loans—**(1) Farm Improvement Loans*

73. Under the provisions of the Farm Improvement Loans Act, 1944, the Government guarantees loans made by the chartered banks to farmers for certain authorized purposes. The amount of the guarantee is limited to 10 per cent of the aggregate principal amount of the guaranteed loans made by each bank. Figures for March 31, 1948, are not yet available, but at February 28 a total of 41,722 such loans had been made to a total amount of \$33,631,453.71, and the Government's contingent liability at that date was \$3,363,145.37, compared with \$1,564,865 at March 31, 1947.

(2) Veterans' Business and Professional Loans

74. Under the provisions of the Veterans' Business and Professional Loans Act, the Government guarantees loans made for certain purposes by the chartered banks to veterans domiciled in Canada. The total of such loans is limited to \$25,000,000, and the Government's guarantee is limited to 25 per cent of the loans made by a bank if that bank's total loans do not exceed \$1,000,000 and to 15% of the loans made by a Bank in excess of \$1,000,000. At December 31, 1947, the Government's contingent liability for loans made under this Act amounted to \$1,216,571.12.

(3) Guaranteed Bank Loans to Acadia Coal Company

75. P. C. 1188 of March 29, 1946, authorized the Government to guarantee the extension of bank loans not exceeding \$730,000 to the Acadia Coal Company Limited to assist the company in opening and developing the McBean seam on a fully mechanized basis. At March 31, 1948 loans for the maximum amount authorized were outstanding.

(4) Guarantees under Part II, Export Credits Insurance Act

76. Under authority of P. C. 4690 dated November 12, 1946, the Minister of Finance was authorized on behalf of the Government of Canada to guarantee under the provisions of the Export Credits Insurance Act the guarantee of the Republic of China of the payment by Ming Sung Industrial Company, Ltd., of the cost of Canadian-produced goods and Canadian services to a maximum

amount of \$12,750,000 to be advanced by Imperial Bank of Canada, The Bank of Toronto and The Dominion Bank, subject to an agreement dated October 30, 1946, between the Company and the said Banks, and to guarantee the securities given by the Ming Sung Industrial Company Ltd., for repayment of amounts drawn against credits established by the Banks in accordance with the agreement.

This guarantee was made at the request of the Government of China, which itself has guaranteed the payments to be made by the Company and the securities to be given by the Company and has undertaken to indemnify the Government of Canada against loss in connection with the guarantees so requested.

As of March 31, 1948, letters of credit issued and special credits established by the said banks in favour of the Ming Sung Industrial Company totalled \$9,997,320.00. Total payments by the banks under these letters of credit or special credits amounted to \$6,106,850.87, and the liability of the Government at the end of the fiscal year is, therefore, \$6,106,850.87.

Guarantees on Land Assembly Projects undertaken by Lending Institutions

77. A new provision was added to The National Housing Act, 1944, at the 1947 Session of Parliament to empower and encourage lending institutions to acquire suitable blocks of raw land within or adjacent to urban centres and develop this land into serviced lots for housing construction. Subject to the lending institutions undertaking to develop the land acquired and sell this land under terms and conditions satisfactory to Central Mortgage and Housing Corporation, the Corporation is authorized to guarantee the total investment of the lending institutions in the land and development, including interest on the investment at a rate not to exceed two per cent compounded annually. In return for the guarantee the lending institutions agree to pay to the Corporation any amount recovered from the sale of such land, in excess of the total investment and the amount of the accrued interest. At the termination of the Agreement any unsold land in a project is to be conveyed to the Corporation.

At the end of March, 1948 agreements had been entered into with various lending institutions respecting six land assembly projects. The total estimated investment in these projects was \$1,197,267.03. No claims have been made to the Corporation under the provision of the guarantee.

78. The following table shows details of the bonds and debenture stocks guaranteed by the Government outstanding as at March 31, 1948:

BONDS AND DEBENTURE STOCKS GUARANTEED BY THE GOVERNMENT OF CANADA AS AT MARCH 31, 1948

Date of maturity	Issue	Interest rate	Estimated amount outstanding
		%	\$
April 1, 1948..	New Westminster Harbour Commissioners.....	4 $\frac{3}{4}$	700,000
Sept. 1, 1951..	Canadian National.....	4 $\frac{1}{2}$	48,022,000
Aug. 1, 1952..	Saint John Harbour Commissioners.....	5	667,953
July 10, 1953..	Canadian Northern.....	3	1,162,768
Feb. 1, 1954..	Canadian National.....	5	50,000,000
Mar. 1, 1955..	Canadian National (West Indies) Steamships Limited....	5	9,400,000
June 15, 1955..	Canadian National.....	4 $\frac{3}{4}$	48,496,000
Feb. 1, 1956..	Canadian National.....	4 $\frac{1}{2}$	67,368,000
July 1, 1957..	Canadian National.....	4 $\frac{1}{2}$	64,136,000
July 20, 1958..	Canadian Northern.....	3 $\frac{1}{2}$	5,636,507
Jan. 15, 1959..	Canadian National.....	3	35,000,000
May 4, 1960..	Canadian Northern Alberta.....	3 $\frac{1}{2}$	550,727
May 19, 1961..	Canadian Northern Ontario.....	3 $\frac{1}{2}$	3,603,183
Jan. 1, 1962..	Grand Trunk Pacific.....	3	26,465,130
Jan. 1, 1962..	Grand Trunk Pacific.....	4	7,999,074
Jan. 2, 1967..	Canadian National.....	2 $\frac{3}{4}$	50,000,000
Oct. 1, 1969..	Canadian National.....	5	57,728,500
Nov. 1, 1969..	Harbour Commissioners of Montreal.....	5	19,000,000
Feb. 1, 1970..	Canadian National.....	5	17,338,000
Various dates 1948-54.....	City of Saint John Debentures assumed by Saint John Harbour Commissioners.....	Various	371,229
Perpetual.....	Grand Trunk Debenture Stock.....	5	1,473,495
"	Great Western Debenture Stock.....	5	848,406
"	Grand Trunk Debenture Stock.....	4	5,954,741
"	Northern Railway of Canada Debenture Stock.....	4	27,458
			521,949,171

79. The following table gives a summary of the Governments guarantees and other contingent liabilities outstanding, other than guarantees of bond issues:

Deposits maintained by the Chartered banks in the Bank of Canada.....	\$519,211,261
Bank advances, <i>re</i> Province of Manitoba Savings Office..	4,344,078
Province of Manitoba Treasury Bill.....	3,350,000
Loans made by chartered banks under the Farm Improvement Loans Act, 1944.....	3,363,145*
Loans made by chartered banks under the Veterans' Business and Professional Loans Act.....	1,216,571**
Guaranteed Bank Loans—Acadia Coal Company.....	730,000
Guarantees under Part II of the Export Credits Insurance Act.....	6,106,851
Loans made by approved lending institutions under The Home Improvement Loans Guarantee Act, 1937....	32,861
Loans made by approved lending institutions under The Home Extension Plan.....	1,959
Loans made by approved lending institutions under Part IV of the National Housing Act, 1944, for home extensions.....	5,554
Loans made by approved lending institutions under Dominion and National Housing Acts.....	Indeterminate
Guarantees of Land Assembly Projects under National Housing Act.....	1,197,267

* As at Feb. 28, 1948.

** As at Dec. 31, 1947.

SUPPLEMENTARY DETAILED TABLES

REVENUES

EXPENDITURES

LOANS AND ADVANCES AND INVESTMENT

UNMATURED FUNDED DEBT

STATEMENT OF REVENUES FOR THE LAST FIVE FISCAL YEARS

(Thousands of Dollars)

	1943-44	1944-45	1945-46	1945-46	Estimated 1947-48
	\$	\$	\$	\$	\$
TAX REVENUE—					
Direct Taxes—					
Direct Taxes on Incomes—					
Individual Income Tax.....	813,435	767,755	691,586	694,530	659,828
Tax on Interest and Dividends....	25,671	27,053	26,824	28,428	33,929
Taxes on Rents and Royalties.....	1,272	1,546	1,486	1,708	1,960
Corporation Income Tax.....	311,379	276,404	217,834	238,792	364,131
Excess Profits Tax.....	468,718	465,805	494,196	448,698	227,030
Total Direct Taxes on Incomes..	1,620,175	1,538,563	1,431,926	1,412,156	1,286,878
Succession Duties.....	15,020	17,251	21,447	23,576	30,828
Total Direct Taxes.....	1,635,495	1,555,814	1,453,373	1,435,732	1,317,706
Indirect Taxes—					
Customs Import Duties.....	167,882	115,091	128,877	237,355	293,012
Excise Duties—					
Spirits, malt, etc.....	65,922	72,133	91,274	97,820	97,675
Cigars, cigarettes and tobacco....	79,906	83,142	98,228	101,163	102,116
Licences.....	37	37	39	40	37
Less Refunds.....	-3,741	-3,390	-2,815	-2,979	-3,034
Total Excise Duties.....	142,124	151,922	186,726	196,044	196,794
Excise Taxes—					
Taxes on Commodities—					
Sales Tax.....	339,256	404,109	326,253	328,073	383,012
War Exchange Tax.....	118,913	98,164	41,198	338	.....
Automobiles, rubber tires and tubes.....	6,000	6,480	6,701	16,340	31,949
Beverages.....	19,059	19,442	16,657	18,635	23,767
Candy and chewing gum.....	12,602	12,874	11,904	13,277	18,279
Cigars, cigarettes and tobacco....	54,688	62,306	70,229	76,318	68,606
Cigarette papers and tubes.....	6,159	6,658	4,645	6,943	6,419
Electric and gas appliances.....	3,032	4,057	1,272	7	2,824
Furs.....	4,199	5,217	4,976	3,102	3,139
Gasoline.....	24,930	29,671	29,836	36,220	2,208
Matches and lighters.....	2,874	3,117	3,675	4,688	3,967
Phonographs, radios and tubes....	491	1,112	646	2,526	5,326
Special excise on importations....	508	545	787	1,185	2,113
Sugar.....	13,048	11,744	9,974	11,339	10,572
Toilet preparations and soaps.....	5,327	6,347	7,107	7,522	7,146
Trunks, bags, luggage, etc.....	4,170	4,134	4,711	5,710	4,962
Wines.....	1,710	1,772	2,066	2,394	2,342
Sundry.....	2,579	2,977	3,811	5,109	4,716
Taxes on Amusements and Services—					
Amusements.....	12,019	12,284	13,387	14,552	15,369
Tax on pari-mutuel bets.....	1,683	1,904	2,188	2,510	2,519
Transportation and communication	22,379	24,205	26,893	27,931	27,531
Stamps, including payment of taxes on jewellery, chinaware, cabaret attendance, etc.....	16,734	18,296	21,697	24,437	24,301
Licences, interest and miscellaneous	331	369	302	313	376
Less refunds (mainly sales tax)....	-34,342	-194,719	-114,005	-29,845	-10,685
Total Excise Taxes.....	638,619	543,065	496,910	579,024	640,758
Other Taxes—					
Chartered bank note circulation...	457	350	270	220	188
Insurance Companies.....	6,481	7,182	7,951	8,796	2,960
Miscellaneous.....	753	702	751	690	613
Total Indirect Taxes.....	956,316	818,312	821,485	1,022,129	1,134,325
Total Revenue from Taxes.....	2,591,811	2,374,126	2,274,858	2,457,861	2,452,031

STATEMENT OF REVENUES FOR THE LAST FIVE FISCAL YEARS—*Concluded*
(Thousands of Dollars)

	1943-44	1944-45	1945-46	1946-47	Estimated 1947-48
	\$	\$	\$	\$	\$
NON-TAX REVENUE—					
Post Office.....	61,071	66,056	68,613	72,978	77,758
Return on Investments.....	48,281	60,749	70,915	69,439	75,800
Bullion and coinage.....	8,732	4,586	4,954	2,098	1,730
Premium, discount and exchange....	2,154				3,900
Other.....	13,045	14,080	16,322	16,355	19,000
Total Non-tax Revenue.....	133,283	145,471	160,804	160,870	178,188
Total Ordinary Revenue.....	2,725,094	2,519,597	2,435,662	2,618,731	2,630,219
SPECIAL RECEIPTS AND CREDITS—					
Refunds of previous years' Special Expenditure.....	221	53	20	10	4
Special Receipts—War Appropriation Acts.....	98,918	352,918	626,616	412,763	225,764
Donations to the Crown.....	216	177	161	170	138
Canadian Wheat Board— Reduction in Reserve Account.....	2,971	589			
Surpluses in certain special accounts..		2,625		1,762	16
Canadian National Railways— Net credit due to increase in Cana- dian National Railways Securities Trust Stock (contra).....	37,838	22,400	22,631		
Investment in Crown plants trans- ferred to Active Assets.....	53,448	7,143	174	2,053	1,250
Other.....	26				
	193,638	385,905	649,602	416,758	227,082
Capital and Non-active Accounts—					
Capital Accounts— Refunds of previous years' expenditure.....	93	728	376	110	62
Non-active Accounts— National Harbours Board, reduc- tion of indebtedness.....		19		10	82
1936 and 1937 Saskatchewan Seed Grain Loans Guarantees— Adjustment pursuant to The Western Provinces Treasury Bills and Natural Resources Settlement Act, 1947.....					9,773
Canadian National (West Indies) Steamships, Limited, reduction of indebtedness.....	164	549		1,105	256
Canadian Pacific Railway— Repayment of loan made under Unemployment Relief Act, 1932.....	1,000				
Write-downs to Consolidated Deficit Account— Canadian National Railways Secur- ities Trust Stock—reduction due to retirement of equipment dur- ing calendar year 1946.....				1,308	1,885
Seed Grain and Relief Loans....	29	36	45	54	50
Total Capital and Non-active Accounts.....	1,286	1,332	421	2,587	12,108
Total Special Receipts and Credits..	194,924	387,237	650,023	419,345	239,190
TOTAL REVENUE.....	2,920,018	2,906,834	3,085,685	3,038,076	2,869,409
Less estimated amount of refundable Income and Excess Profits Taxes..	155,000	219,500	72,500	30,200	
NET TOTAL REVENUE.....	2,765,018	2,687,334	3,013,185	3,007,876	2,869,409

STATEMENT OF EXPENDITURES BY MAJOR CATEGORIES AND BY DEPARTMENTS
FOR THE LAST FIVE FISCAL YEARS
(Thousands of Dollars)

	1943-44	1944-45	1945-46	1945-46	Estimated 1947-48
	\$	\$	\$	\$	\$
ORDINARY EXPENDITURE					
Agriculture.....	8,841	9,424	10,319	13,300	16,284
Auditor General's Office.....	348	361	379	390	405
Civil Service Commission.....	456	461	479	593	670
External Affairs, including Office of Prime Minister.....	1,596	1,974	4,583	5,216	7,624
Finance—					
Interest on Public Debt.....	242,681	318,995	409,134	464,395	445,455
Cost of Loan Flotations and Annual Amortization of Bond Discounts and Commissions.....	19,285	20,679	22,311	12,139	10,917
Premium paid on redemption of called bonds.....			5,842	71	50
Subsidies to Provinces.....	14,449	14,445	14,447	14,383	33,394
Miscellaneous Grants and Contribu- tions.....	528	531	617	95	113
Civil Pensions and Superannuation....	356	325	293	253	228
Government contribution to Superan- nuation Fund.....	2,299	2,341	2,696	3,161	3,489
Old Age Pensions, including pensions to blind persons.....	30,377	32,187	(1) —	(1) —	(1) —
Premium, Discount and Exchange.....		16,348	14,734	9,172	
Compensation to Provinces under Dominion-Provincial Taxation Agree- ments—					
Income and Corporation Taxes.....	83,678	82,977	94,343	94,380	122,497
Gasoline Tax.....	11,757	10,357	3,709	—	
Administrative and Sundry Expendi- ture.....	4,472	4,724	7,569	3,599	11,389
Fisheries.....	1,696	2,159	3,262	3,599	4,236
Governor General and Lieutenant Gov- ernors.....	222	223	227	252	233
Insurance.....	183	185	199	212	254
Justice.....	2,673	2,696	2,848	3,194	3,914
Penitentiaries.....	2,799	2,936	3,258	3,806	4,663
Labour.....	1,170	1,446	1,620	2,010	2,295
Unemployment Insurance Act, 1940—					
Administration.....	5,171	5,113	6,185	7,496	17,624
Government Contribution.....	12,344	12,746	12,514	15,200	17,500
Government Annuities—					
Payments to maintain reserve.....	32	257	294	977	750
Legislation—					
House of Commons.....	1,915	1,612	2,235	2,786	3,161
Library of Parliament.....	77	72	74	90	104
Senate.....	562	485	727	881	951
General.....	86	95	98	167	270
Chief Electoral Officer, including elec- tions.....	88	179	3,091	144	129
Mines and Resources—					
Administration.....	167	168	164	173	263
Immigration.....	1,262	1,309	1,524	2,047	2,806
Indian Affairs.....	5,177	6,162	4,466	5,948	7,174
Lands, Parks and Forests.....	1,586	1,831	2,689	4,962	
Lands and Development Services.....					5,738
Surveys and Engineering.....	1,272	1,610	1,323	3,444	
Special Projects.....					2,534
Mines and Geological Survey.....	1,125	1,216	1,303	1,847	
Mines, Forests and Scientific Services.....					5,530
Munitions and Supply.....	14	19	(2) —	(2) —	(2) —
Dominion Fuel Board Administration					
Coal subsidies and subventions.....	2,165	2,737	(2) —	(2) —	(2) —
National Defence—					
Administration.....	36	33	38	28	235
Sundry Services.....	32	34	89	225	402
National Health and Welfare.....	1,617	1,725	7,294	8,616	11,040
Old age pensions, includingp ensions to blind persons.....	(3) —	(3) —	33,715	35,928	58,090
Family allowances.....			172,632	245,141	263,165

(1) See Department of National Health and Welfare.

(2) See Department of Reconstruction and Supply.

(3) See Department of Finance.

STATEMENT OF EXPENDITURES BY MAJOR CATEGORIES AND BY DEPARTMENTS
FOR THE LAST FIVE FISCAL YEARS—*Continued*
(Thousands of Dollars)

	1943-44	1944-45	1945-46	1946-47	Estimated 1947-48
	\$	\$	\$	\$	\$
ORDINARY EXPENDITURE—Con.					
National Revenue (including Income Tax).....	17,721	20,114	22,630	28,551	37,315
National War Services.....	547	838	5	—	—
Post Office.....	48,485	54,629	57,730	64,213	67,800
Privy Council.....	80	81	419	808	1,300
Public Archives.....	124	124	127	149	163
Public Printing and Stationery.....	235	232	238	293	579
Public Works.....	12,281	13,169	16,283	26,360	35,620
Reconstruction and Supply.....	—	969	2,103	1,932	12,087
Dominion Fuel Board Administration, Coal subsidies and subventions	(⁴) —	(⁴) —	2,339	1,776	1,172
Royal Canadian Mounted Police.....	6,678	7,183	7,284	8,604	10,460
Secretary of State.....	831	864	954	157	1,362
Trade and Commerce.....	4,196	3,497	4,053	7,361	8,366
Canada Grain Act.....	2,089	2,333	2,303	2,415	2,647
Mail Subsidies and Steamship Subven- tions.....	800	869	994	1,103	(⁵) —
Transport—					
Administration.....	397	402	418	491	594
Air Service.....	3,593	3,939	4,196	5,653	10,483
Marine Service.....	4,504	4,897	4,893	5,964	6,852
Railways and Canals.....	4,107	4,294	4,415	4,709	5,343
Maritime Freight Rates Act.....	5,058	4,733	4,345	4,871	5,091
Mail Subsidies and Steamship Sub- ventions, including Canadian Mari- time Commission.....	—	—	—	—	1,773
Veterans Affairs—					
Departmental Administration.....	176	196	1,142	1,680	1,743
Pensions (War 1914-1918 and military). War Service gratuities and re-establish- ment credits.....	38,998	39,372	39,996	40,771	41,113
Treatment and after-care of returned soldiers and allowances to dependents	—	20,228	(⁶) —	(⁶) —	(⁶) —
Soldiers Settlement and Veterans Land Act.....	14,050	19,845	28,551	44,303	47,019
	837	1,391	3,160	6,551	8,087
Total Ordinary Expenditure.....	630,381	767,376	1,061,902	1,236,235	1,382,545
CAPITAL EXPENDITURE					
Railways.....	692	630	2,313	2,654	3,820
Public Works.....	1,930	2,534	2,195	8,546	12,641
Total Capital Expenditure...	2,622	3,164	4,508	11,200	16,461
WAR, DEMOBILIZATION AND RECONVERSION EXPENDITURE					
National Defence—Defence Research....	—	—	—	4,090	6,001
National Defence—Army—					
Army Services.....	1,312,348	1,243,733	935,006	208,106	—
Internment Operations.....	1,100	1,580	1,002	135	—
Inspection Board of the U.K. and Canada.....	10,522	8,362	6,124	—	86,627
Inspection Board of Canada.....	—	—	—	819	—
Sundry.....	4,835	8,080	7,446	8,064	—
	1,328,805	1,261,755	949,578	219,124	86,627
National Defence—Naval Services.....	369,556	417,089	241,759	64,873	43,795
National Defence—Air Services—					
Overseas War Establishment.....	383,888	759,070	—	—	—
Overseas Operations.....	—	—	197,076	4,779	—
Home War Establishment.....	312,761	227,942	—	—	—
Western Hemisphere Operations.....	—	—	108,032	37,697	58,130
Air Training.....	233,893	272,342	—	—	—
Training Organization.....	—	—	74,770	11,965	—
Repatriation and Demobilization.....	—	—	72,153	16,325	—

(⁴) See Department of Munitions and Supply.

(⁵) See Department of Transport.

(⁶) See War Demobilization.

STATEMENT OF EXPENDITURES BY MAJOR CATEGORIES AND BY DEPARTMENTS
FOR THE LAST FIVE FISCAL YEARS—*Continued*

(Thousands of Dollars)

	1943-44	1944-45	1945-46	1945-46	Estimated 1947-48
	\$	\$	\$	\$	\$
WAR, DEMOBILIZATION AND RECONVERSION EXPENDITURE— <i>Con.</i>					
National Defence—Air Services— <i>Con.</i>					
Restricted Servicing Units.....	—	—	38,623	—	
General Servicing Units.....	—	—	14,884	17,109	
Surplus Equipment Units.....	—	—	815		
Headquarters and Commands Admin- istration.....	—	—	17,880	11,315	
Sundry.....	124	102	97	84	
	930,666	1,259,456	524,330	99,271	58,130
Reconstruction and Supply (formerly Munitions and Supply)—					
Administration, reconversion and operation of Crown Companies and/ or Crown Plants.....	—	—	—	10,784	2,500
Administration.....	9,957	8,841	6,858	4,140	1,325
Housing Developments.....	—	—	—	33,163	38,620
Production and transportation subsi- dies for Canadian steel producers, etc.....					7,840
Research and development of jet en- gines and aircraft.....					4,500
Expansion of Industry.....	672,804	205,039	112,675	—	
Emergency Coal Production Board....	—	—	—	(7) 12,663	
Acquisition of U.K. Assets.....	5,000	1,964	—	—	
Acquisition of U.S. Assets.....	—	—	1,906	—	
Liquidation of Contracts.....	—	—	—	21,620	1,065
Termination of Contracts.....	—	—	151,846	55,200	6,600
National Research Council.....	2,640	2,932	2,385	4,005	120
Sundry.....	—	—	3,137	5,565	665
	690,401	218,776	278,807	147,140	63,235
Agriculture—					
Disposal of agricultural products ren- dered surplus by the war.....	1,876	1,194	354	958	8
Freight assistance on western feed grains.....	17,754	15,943	17,317	18,828	20,005
Fertilizer subventions and freight allowance.....	903	446	438	283	
Subsidies and bulk purchasing of fer- tilizer.....	—	—	—	—	597
Subsidy on western wheat used ex- clusively as feed for live-stock.....	4,500	7,471	7,864	6,474	4,421
Subsidy on milk and milk products....	29,505	42,330	41,659	36,759	1,865
Premium on hog carcasses suitable for export to U.K.....	3,855	14,091	9,573	4,506	5,632
To provide for reserve stocks of feed grains.....	1,292	715	1,274	1,551	434
Sundry.....	4,608	5,864	4,499	1,757	351
	64,293	88,054	82,978	71,116	33,313
External Affairs—					
Contribution to International Refugee Organization.....					5,468
General post UNRRA relief.....					16,960
Sundry.....	640	296	383	837	43
	640	296	383	837	22,471
Finance—					
Comptroller of the Treasury.....	8,404	9,216	9,369	6,072	1,883
Payment of premiums on the purchase of Dominion of Canada Registered Stock.....	13	14	12	11	8
Wartime Prices and Trade Board— Administration.....	13,705	12,720	14,753	12,738	6,060
Subsidies due to application of Order placing a ceiling over all prices.....	81,519	107,338	97,819	88,778	34,500
Advances for payment of drawback claims to millers and other manu- facturers of wheat products.....	20,500	19,700	14,750	26,000	17,000

(7) Included in previous years in Expansion of Industry.

**STATEMENT OF EXPENDITURES BY MAJOR CATEGORIES AND BY DEPARTMENTS
FOR THE LAST FIVE FISCAL YEARS—Continued**

(Thousands of Dollars)

	1943-44	1944-45	1945-46	1946-47	Estimated 1947-48
	\$	\$	\$	\$	\$
WAR, DEMOBILIZATION AND RECONVERSION EXPENDITURE—Con.					
Advances to the Canadian Wheat Board to cover deficits in certain Board operations.....	—	13,058	—	(8)	(8)
House Conversion Program.....	841	4,053	1,764	(9)	(9)
Old Age Pensions, increased benefits...	3,062	8,788	(10) —	(10) —	(10)
Halifax V-E Day disorders and explo- sion.....	—	—	—	—	—
Payment of claims.....	—	—	4,610	2,127	.....
Expenses of investigations.....	—	—	248	161	.....
Sundry.....	417	1,632	946	988	375
	128,461	176,519	144,271	136,875	59,826
Labour—					
Industrial training.....	3,478	1,632	701	15	.....
Training aircraft mechanics.....	1,378	333	3	—	.....
National Selective Service program...	9,346	11,098	11,268	11,230	(11)
Removal of enemy aliens from pro- tected areas.....	2,545	2,137	2,203	3,161	.....
Vocational training for discharged members of the Canadian Armed Forces.....	167	602	4,365	13,049	6,750
Vocational Schools—Payments to Provinces.....	—	—	607	2,442	3,265
Sundry.....	2,724	3,877	3,712	2,757	1,721
	19,638	19,664	22,859	32,654	11,736
Mines and Resources—					
Prince Rupert — Terrace — Cedarvale Highway.....	5,750	2,499	8	—	.....
Employment of Japanese.....	894	511	262	45	.....
Aerial Photography.....	—	51	572	944	750
Sundry.....	2,761	2,753	2,633	1,509	1,147
	9,405	5,814	3,475	2,498	1,897
National War Services—					
War Charities—Auxiliary services.....	10,910	15,933	13,070	—	.....
Censorship.....	1,727	1,856	859	—	.....
Sundry.....	2,550	8,193	316	29	.....
	15,187	25,982	14,245	29	.....
National Health and Welfare—					
Old Age Pensions, increased benefits...	(12) —	(5) —	9,103	9,517	997
Sundry.....	(13) —	1,340	2,135	157	103
	—	1,340	11,238	9,674	1,100
Privy Council—					
Canadian Information Service (form- erly Wartime Information Board)...	759	1,700	1,229	(10)	.....
Sundry.....	86	58	43	45	15
	845	1,758	1,272	45	15
Public Works.....	6,467	6,500	6,205	3,651	1,264
Royal Canadian Mounted Police.....	4,267	3,709	4,775	1,896	1,584
Trade and Commerce—					
Gift of wheat to Greece.....	8,798	6,749	—	—	.....
Sundry.....	745	670	1,772	682	134
	9,543	7,419	1,772	682	134
	9,941	16,433	15,013	9,723	5,675
Transport.....					
Acquisition of airfields and works from United States Government....	66,600	18,661	—	—	.....
Veterans Affairs—					
Treatment—Defence Forces.....	—	11,449	26,298	50,982	26,940
Pensions—Defence Forces.....	—	11,939	22,200	33,763	40,945
Additions, alterations and improve- ments to departmental hospitals, including land purchases.....	—	5,738	7,371	8,334	6,700

(8) Included in Special Expenditure.

(9) See Department of Reconstruction and Supply.

(10) See Department of National Health and Welfare.

(11) Included in ordinary expenditure (Unemployment Insurance administration).

(12) See Department of Finance.

(13) Included in Pensions and National Health.

(14) Included in Department of External Affairs.

STATEMENT OF EXPENDITURES BY MAJOR CATEGORIES AND BY DEPARTMENTS
FOR THE LAST FIVE FISCAL YEARS—*Continued*

(Thousand of Dollars)

	1943-44	1944-45	1945-46	1946-47	Estimated 1947-48
	\$	\$	\$	\$	\$
WAR, DEMOBILIZATION AND RECONVERSION EXPENDITURE—<i>Con.</i>					
Veterans Affairs— <i>Con.</i>					
Post-discharge rehabilitation benefits.	—	2,468	32,131	96,762	78,300
War service gratuities and re-establishment credits.	—	(¹⁵) —	239,585	318,325	84,135
Sundry.	—	1,165	774	273	5
		32,759	328,359	508,439	237,025
Pensions and National Health—					
Treatment—Defence Forces.	6,456				
Pensions—Defence Forces.	5,637				
Air Raid Precautions.	1,724				
Post-discharge re-establishment.	472				
Sundry.	3,663				
	17,952				
Other Departments.	1,763	2,960	2,453	2,181	840
Write-off of Air Training Plan Loans and Advances as per United Kingdom Financial Agreement Act, 1946.			425,000		
Mutual Aid (excluding administration).	912,578	792,200	766,862		
Military Relief.		50,199	34,463		
Canada's Contribution to UNRRA.	55	11,093	142,852		
Total War, Demobilization and Reconversion Expenditures.	4,587,023	4,418,446	4,002,949	1,314,798	634,668
SPECIAL EXPENDITURE					
Agricultural and Relief Projects.	3,751	3,869	4,423	4,432	5,665
Prairie Farm Assistance Act, 1939—					
Administration.	217	188	327	333	500
Advances to Prairie Farm Emergency Fund.	2,578	1,295	12,052	6,597	10,744
Wheat acreage reduction plan—					
Administration.	848	261	159		
Payments of awards to farmers.	30,102	1,707	397	2	
Deficits—Canadian Wheat Board.		(¹⁶)		20,562	31,450
Provision of reserve to meet deficits resulting from the operations of the Canadian Wheat Board not previously provided for.		186			
Subsidies on oats and barley used as feed for live stock—					
Dept. of Agriculture.					13,900
Reimbursement to Canadian Wheat Board for expenses of regulating deliveries of grain—					
Dept. of Trade and Commerce.					733
Reimbursement to Canadian Commercial Corporation for expenses in purchasing materials, etc., on behalf of Dept. of National Defence—Dept. of Trade and Commerce.					548
Total Special Expenditure.	37,496	7,506	17,358	31,926	63,540

(¹⁵) Included in ordinary expenditure.

(¹⁶) Deficits charged to the War Appropriation in 1944-45.

STATEMENT OF EXPENDITURES BY MAJOR CATEGORIES AND BY DEPARTMENTS
FOR THE LAST FIVE FISCAL YEARS—*Concluded*

(Thousands of Dollars)

	1943-44	1944-45	1945-46	1945-46	Estimated 1947-48
	\$	\$	\$	\$	\$
GOVERNMENT OWNED ENTERPRISES					
Losses charged to Consolidated Deficit Account—					
Prince Edward Island Car Ferry and Terminals.....	698	773	688	888	932
Canadian National Railways.....				8,962	15,886
Trans-Canada Airlines.....					1,370
National Harbours Board.....	30	59	86	114	137
Total Charged to Consolidated Deficit Account.....	728	832	774	9,964	18,325
Loans and advances non-active—					
National Harbours Board.....	579	526	560	718	372
Total government-owned enterprises.....	1,307	1,358	1,334	10,682	18,697
OTHER CHARGES					
Write-down of assets chargeable to Consolidated Deficit Account—					
Reduction of soldier and general land settlement loans.....	553	325	36	232	3
Reduction of Veterans' Land Act Advances.....				129	2,097
Yearly established losses in seed grain and relief accounts—					
Department of Mines and Resources.....	29	36	45	54	50
Cancellation of Canadian Farm Loan Board Capital Stock.....	5	1	1		
To provide a reserve for possible losses on ultimate realization of Active Assets.....	25,000	25,000	25,000	25,000	75,000
Provision for reserve for conditional benefits under Veterans' Land Act....			464	2,663	4,505
Canadian National Railways Securities Trust Stock—reduction due to retirement of equipment.....				1,308	1,885
Canadian National Railways Securities Trust Stock—					
Net changes in Dominion's equity in Canadian National Railways.....	37,838	22,400	22,631		
Total other charges.....	63,425	47,762	48,177	29,386	83,540
Grand Total expenditures...	5,322,254	5,245,612	5,136,228	2,634,227	2,199,451

ANNUAL CHANGES IN ACTIVE LOANS AND ADVANCES AND INVESTMENTS FOR THE
LAST FIVE FISCAL YEARS

(Thousands of Dollars)

	Fiscal Years Ended March 31				
	1944	1945	1946	1947	Estimated 1948
	\$	\$	\$	\$	\$
<i>Loans and Advances</i>					
RAILWAY AND STEAMSHIP COMPANIES—					
Canadian National Railways.....	Cr. 3,907	83,608	43,614	Cr. 20,521	81,717
Canadian National (West Indies). Steamships, Ltd.....			Cr. 450		
Net Total, Railway and Steamship Companies.....	Cr. 3,907	83,608	43,164	Cr. 20,521	81,717
SUNDRY GOVERNMENT AGENCIES—					
Canadian Broadcasting Corporation.....				2,000	
National Harbours Board.....	Cr. 127	8	Cr. 66	151	Cr. 26
Soldier Settlement and Veterans Land Act.....	Cr. 2,090	3,948	18,677	55,202	35,966
Sundry Crown Companies.....	63,317	Cr. 16,774	Cr. 20,087	Cr. 49,948	9,146
Sundry Crown Plants, privately managed.....	57,007	Cr. 10,909	Cr. 4,997	Cr. 41,100	
Other.....	Cr. 11	38	Cr. 40	23,392	Cr. 11,632
Net Total, Sundry Government Agencies.....	118,096	Cr. 23,689	Cr. 6,513	Cr. 9,763	33,454
Provincial and Municipal Governments..	Cr. 437	15,599	Cr. 4,350	Cr. 2,530	Cr. 63,629
UNITED KINGDOM AND OTHER GOVERN- MENTS—					
United Kingdom, loan under The War Appropriation (U.K. Financ- ing) Act, 1942.....	Cr. 42,392	Cr. 55,098	Cr. 63,946	Cr. 95,800	Cr. 111,285
Union of Soviet Socialist Republics— Loan for purchase of wheat.....	9,083		Cr. 2,500	Cr. 5,000	Cr. 2,500
United Kingdom, Australia and New Zealand—Air Training accounts...	5,403	81,586	Cr. 249,50	4Cr. 2	
United Kingdom—British Common- wealth Air Training Plan—Settle- ment.....	200,000		Cr. 200,000		
United Kingdom, food advance ac- counts.....	13,244	10,613	Cr. 9,311	Cr. 21,301	
Export Credits Insurance Act.....			67,412	267,983	130,830
United Kingdom Financial Agree- ment Act, 1946.....				640,000	368,000
War Supplies, Ltd.....	Cr. 11,884	Cr. 71,158			
Other (U.K. and Other Govern- ments).....	16,766	Cr. 4,215	123,308	Cr. 139,114	Cr. 3,314
Net Total, U.K. and Other Govern- ments.....	190,220	Cr. 38,272	Cr. 334,541	646,766	381,731
MISCELLANEOUS—					
Dominion and National Housing Acts.....	Cr. 532	Cr. 1,240	Cr. 14,721		
Sundry munitions contractors etc., (Department of Reconstruction and Supply).....	Cr. 3,964	7,975	Cr. 757	Cr. 10,868	Cr. 610
Sundry Loans and Advances.....	Cr. 61	Cr. 74	Cr. 74	Cr. 4	4,153
Net Total, Miscellaneous.....	Cr. 4,557	6,661	Cr. 15,552	Cr. 10,872	3,543
Net Total, All Loans and Advances	299,415	43,907	Cr. 317,792	603,080	436,816

ANNUAL CHANGES IN ACTIVE LOANS AND ADVANCES AND INVESTMENTS FOR THE
LAST FIVE FISCAL YEARS—*Concluded*

(thousands of dollars)

	Fiscal Years Ended March 31				
	1944	1945	1946	1947	Estimated 1948
<i>Investments</i>					
Central Mortgage and Housing Corporation Capital Stock			25,000		
Canadian Farm Loan Board	Cr. 5,005	Cr. 5,001	Cr. 2,401	Cr. 600	100
Canada's subscription to capital of International Bank for Reconstruction and Development			36	48,750	16,250
Canada's subscription to capital of International Monetary Fund			33	299,970	
Central Mortgage Bank Capital Stock ..			Cr. 250		
Export Credits Insurance Corporation Capital Stock		500	2,000		2,500
Polymer Corporation, Ltd.				42,886	
Balances receivable under agreements of sale of Crown assets				13,503	Cr. 1,972
Other Investments	5,521	1,754	770	4,297	Cr. 40
Net Total, Investments	516	Cr. 2,747	25,188	408,806	16,838
Net Total of changes in Loans and Advances and Investments	299,931	41,160	Cr. 292,604	1,011,886	453,654

**UNMATURED FUNDED DEBT AND TREASURY BILLS AS AT MARCH 31, 1948,
AND ANNUAL INTEREST THEREON**

Date of Maturity	Rate Per Cent	Where Payable	Amount of Loan		Annual Interest Charge	
			\$	cts.	\$	cts.
1948, May 1.....	$\frac{5}{8}$	Canada	200,000,000	00	1,250,000	00
July 1.....	4	Canada	33,293,470	85	1,331,738	83
Sept. 1.....	$\frac{5}{8}$	Canada	550,000,000	00	3,437,500	00
Nov. 1.....	$1\frac{1}{4}$	Canada	344,267,000	00	6,024,672	50
1949, Feb. 1.....	$3\frac{1}{4}$	Canada	49,987,650	00	1,624,598	63
Nov. 1.....	$1\frac{3}{4}$	Canada	267,800,000	00	4,686,500	00
1950, Feb. 1.....	$3\frac{1}{4}$	Canada	50,000,000	00	1,625,000	00
Mar. 1.....	$1\frac{1}{2}$	Canada	325,000,000	00	4,875,000	00
Nov. 1.....	$1\frac{3}{4}$	Canada	335,690,000	00	5,874,575	00
Nov. 1.....	$1\frac{3}{4}$	Canada	400,000,000	00	7,000,000	00
1951, Feb. 1.....	$3\frac{1}{4}$	Canada	(1) 50,250,000	00	1,625,000	00
Mar. 1.....	$2\frac{3}{4}$	New York	16,667,000	00	416,675	00
June 15.....	3	Canada	(2) 649,969,592	50	19,306,027	50
Nov. 15.....	$3\frac{1}{4}$	Canada	60,000,000	00	1,950,000	00
1952, Feb. 1.....	$3\frac{1}{4}$	Canada	(3) 50,500,000	00	1,625,000	00
Mar. 1.....	$2\frac{1}{2}$	New York	16,667,000	00	416,675	00
Oct. 1.....	3	Canada	324,945,700	00	9,748,371	00
1953, Mar. 1.....	$2\frac{1}{2}$	New York	16,666,000	00	416,650	00
1954, Mar. 1.....	3	Canada	(4) 676,355,489	00	20,089,767	00
1955, May 1.....	$3\frac{1}{4}$	London	3,854,446	18	125,269	50
June 1.....	3	Canada	40,000,000	00	1,200,000	00
June 1.....	3	Canada	55,000,000	00	1,650,000	00
1956, Nov. 1.....	3	Canada	(5) 855,607,410	50	25,414,081	50
Nov. 1.....	$2\frac{3}{4}$	Canada	391,015,850	00	10,752,935	88
1957, May 1.....	3	Canada	1,111,261,650	00	33,337,849	50
Nov. 1.....	$2\frac{3}{4}$	Canada	263,530,150	00	7,247,079	12
1958, June 1.....	3	Canada	88,200,000	00	2,646,000	00
Sept. 1.....	4	London	2,613,504	07	104,540	16
Nov. 1.....	$4\frac{1}{2}$	Canada	276,687,600	00	12,450,942	00
1959, Jan. 1.....	3	Canada	1,197,324,750	00	35,919,742	50
Nov. 1.....	$4\frac{1}{2}$	Canada	289,693,300	00	13,036,198	50
1960, June 1.....	3	Canada	1,165,300,350	00	34,959,010	50
Oct. 1.....	4	New York	100,000,000	00	4,000,000	00
1961, Jan. 15.....	$3\frac{1}{4}$	New York	48,000,000	00	1,560,000	00
1962, Feb. 1.....	3	Canada	1,315,639,200	00	39,469,176	00
1963, July 1.....	$3\frac{1}{4}$	London	2,856,821	32	92,846	69
Oct. 1.....	3	Canada	1,295,819,350	00	38,874,580	50
1966, June 1.....	$3\frac{1}{4}$	Canada	54,703,000	00	1,777,847	50
Sept. 1.....	3	Canada	1,691,796,700	00	50,753,901	00
Perpetual.....	3	Canada	55,000,000	00	1,650,000	00
1948, April 9 Treasury Bills.....	.410	Canada	75,000,000	00	307,500	00
April 23 Treasury Bills.....	.410	Canada	75,000,000	00	307,500	00
May 7 Treasury Bills.....	.410	Canada	75,000,000	00	307,500	00
May 28 Treasury Bills.....	.411	Canada	75,000,000	00	308,250	00
June 11 Treasury Bills.....	.410	Canada	75,000,000	00	307,500	00
June 25 Treasury Bills.....	.411	Canada	75,000,000	00	308,250	00
Sept. 3 Deposit Certificates..	.625	Canada	100,000,000	00	625,000	00
1950, June 15 Non-Interest Bearing Certificates.....	.....	Canada	303,215	04	.....	.....
War Savings Certificates.....	3	Canada	225,866,165	22	6,775,984	95
			15,498,132,364	68	419,593,236	26
Refundable portion of personal income tax and excess profits tax (estim- ated).....			2(6)	Canada	459,248,899	77
			15,957,381,264	45	424,088,976	78
Payable in Canada.....			15,750,056,492	88	98.70%	
Payable in New York.....			198,000,000	00	1.24%	
Payable in London.....			9,324,771	57	0.06%	
			15,957,381,264	45	100.00%	

(1) Redeemable at 100½ per cent. Amount outstanding includes \$ 250,000.00 redemption bonus.

(2) Redeemable at 101 per cent. Amount outstanding includes \$5,435,342.50 redemption bonus.

(3) Redeemable at 101 per cent. Amount outstanding includes \$ 500,000.00 redemption bonus.

(4) Redeemable at 101 per cent. Amount outstanding includes \$6,696,589.00 redemption bonus.

(5) Redeemable at 101 per cent. Amount outstanding includes \$8,471,360.50 redemption bonus.

(6) Interest on refundable portion of personal income tax only.

